

UTIPULP

MAASTRICHT – SEPTEMBER 17th, 2004

GENERAL MEETING

MINUTES

UTIPULP

GENERAL MEETING

Maastricht – September 17th, 2004

- ATTENDEES -

UTIPULP Chairman :

Mrs Gloria RICCIONI CARTIERE BURGO

UTIPULP Secretariat :

Mr Nicolas OUDIN UTIPULP

BELGIUM

Mr Markus V. de MENEZES GRUPPO CORDENONS
Mr Firmin FRANCOIS COBELPA
Mr Wayne THOMAS SAPPI EUROPE S.A.

DENMARK

Mr Eilif LADEGAARD DALUM PAPIR A/S

FRANCE

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

GERMANY

Mrs Ute JOHNEN KANZAN SPEZIALPAPIERE GmbH
Mr Klaus-Dieter KIBAT V.D.P.
Mr Franz-Josef OHLE STORA ENSO PULP Int. GmbH
Mr Markus V. WIESEKE MD PAPIER GmbH

ITALY

Mr Antonio BOTTEGA FEDRIGONI CARTIERE SPA
Mr Armando CAFIERO ASSOCARTA
Mr Luigi LAZZARESCHI DELICARTA S.P.A.

NETHERLANDS

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

SWITZERLAND

Mr Jorg BITTERLI TELA-KIMBERLY

UNITED KINGDOM

Mr John GOVIER
Mr Richard SEXTON

ARJO WIGGINS Ltd
CONFEDERATION OF PAPER
INDUSTRIES

EXTERNAL SPEAKERS

Mr David PINEAULT
Mr Bernt STENBERG

AFPA
EPIS

EXCUSED

| | | |
|-----------------|--------------------|--------------------------------------|
| Mr Graham | BARNARD | CONFEDERATION OF PAPER INDUSTRIES |
| Mr Enrico | BROUWER | V.N.P. |
| Mr Joao Gorjao | CLARA | RENOVA S.A. |
| Mr Luis | COSTA LEAL | CELPA |
| Mr Peter | DONNABAUER | DR. FRANZ FEURSTEIN |
| Mr Bernhard | JÄGGI | M-REAL BIBERIST |
| Mr Klaus | KRIEG | PAPIERFABRICK SCHEUFELN |
| Mr Patrick | MADER | AUSTROPAPIER |
| Mr Manuel A. S. | MOREIRA DOS SANTOS | SOPORCEL S.A. |
| Mr Carlos | REINOSO | ASPAPPEL |
| Mr Olivier | SALAUN | AHLSTROM RESEARCH AND SERVICIES |
| Mr Rudolf | SEELMANN | SCA GRAPHIC LAAKIRCHEN |
| Mr Oliver | SÖDER | MD PAPIER GmbH |

UTIPULP

General Meeting

Maastricht – September 17th, 2004

AGENDA

- I - WELCOME & APOLOGIES
- II - APPROVAL OF THE AGENDA
- III - APPROVAL OF THE PREVIOUS MEETING'S MINUTES
 - The previous meeting was held in Roma on April 2nd, 2004
- IV - GENERAL ISSUES
 - a) UTIPULP structures:
 - Composition of the National Delegations,
 - Elections of the Chairman, the Vice Chairman and the Executive Committee Members
 - b) Communication:
 - Website : evolution, new login and password
 - c) Statistics:
 - Modification of the producers statistics :
 - o Recall of the modifications made by pulp producers associations
 - o Actions taken by UTIPULP over the last months
 - o Report on the Vancouver meeting
 - o Coming actions
 - Analysis of last available UTIPULP statistics
 - c) Other issues:
 - Information on the new pulp future market at NYBOT
 - Report on contacts with the main Forest Certification Schemes management teams
 - Date and location of the next meeting.
- V - ANALYSIS OF THE PULP AND PAPER MARKETS
- VI - EXTERNAL SPEAKERS
 - Changes in the market pulp statistics : the producers' views
 - Mr David Pineault, AF&PA, Director, Pulp
 - Mr Bernt Stenberg, EPIS General Secretary

- 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 the Netherland's delegation for the nice Maastricht tour they organised on Thursday, September 16th and for the highly appreciated diner served to the Delegates.

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 Roma on April 2nd 2004 are unanimously approved.

4. GENERAL ISSUES

A) UTIPULP STRUCTURES

Mrs Riccioni welcomes Mr Nicolas OUDIN, new Secretary, who joined UTIPULP in the last days of May

§ Changes in the composition of the National Delegations

UTIPULP Secretariat has been advised of two changes in the composition of the National Delegations :

Belgium :

COBELPA advised UTIPULP that Mr Claus ORESNIK, is no longer member of the Belgian delegation in UTIPULP. He is replaced by Mr Wayne THOMAS (Sappi Europe).

Netherlands :

Mr Theo VAN DER STEENSTRAETEN has been replaced by Mr Norman SNELL (Inkoopcombinatie De Eendragt BV).

§ Elections of the Chairman, the Vice-Chairman and the Executive Committee Members

Mrs Riccioni indicates that her mandate has come to an end and that after four years as UTIPULP Chairman she will stop chairing the Association after this Maastricht meeting. She also expresses her wish to resign from the Executive Committee.

As a consequence a new Chairman, as well as a new member of the Executive Committee has to be elected by the General Assembly. Mrs Riccioni asks the Secretary to indicate the procedure planned on the Articles of the Association in order to renew the Executive Committee composition as well as to elect the new Chairman and Vice-Chairman.

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.*

(...)

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. 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 indicates that the Executive Committee proposes Mr Antonio Bottega, member of the Italian Delegation, as new member of the Executive Committee. She asks whether there are other candidates. In the absence of other candidacies, Mr Bottega is unanimously voted as new member of the Executive Committee by the General Assembly.

The new Executive Committee is composed of the following delegates:

- € Mr Jörg Bitterli – Switzerland –
- € Mr Antonio Bottega – Italy –
- € Mr John Govier – U.K. –
- € Mr Franz-Josef Ohle – Germany –
- € Mr Jean-Olivier Roussat – France –

As far as the chairmanship and vice-chairmanship are concerned, Mrs Riccioni indicates that the Executive Committee decided to elect Mr Roussat, member of the French delegation and current Vice-Chairman, to become the new Chairman of the Association.

ð **This decision is unanimously approved by the General Assembly.**

Mr Roussat thanks all the members for the confidence they give to him. He proposes Mr Franz-Josef Ohle, member of the German Delegation, to become Vice-Chairman of Utipulp.

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

B) COMMUNICATION

Website : evolution, new login and password

The Secretary indicates that no major changes have been applied to the UTIPULP Internet website over the last months. No requests of changes have been sent to the webmaster. The minutes of the meetings as well as the statistics have been updated regularly.

Three documents are included in the folders of the attendees:

- ø A document presenting the new login and password
- ø The statistics of the connections to the website,
- ø An updated “User Guide” for the members.

New login and password are communicated in session. It is reminded that these 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.

The connections statistics to the website are commented. They show a regular and monthly pick around the 15th of each month, e.g. when UTIPULP statistics are published. This emphasises the importance given to the UTIPULP statistics by the public.

C) STATISTICS

œ Modification of the producers statistics

Mrs Riccioni reminds the participants that historical changes of the way the market woodpulp statistics are reported will be implemented by the producers associations. This evolution is going in the opposite direction of what had been implemented over the last decade, with the aim of improving transparency on the market pulp market. She asks the Secretary to recall the modifications already made to the statistics system by the pulp producers associations.

ø *Recall of the modifications made by pulp producers associations*

From January 2004, market pulp producers decided to implement a first phase of changes to the statistical system (Phase I):

- They decided to release global inventory figures, gathering 19 countries around the world, instead of the only so called NORSCAN countries figures.
- The publication was also delayed to the 25th of each month (previously around the 13th).

This Phase I had already been discussed within UTIPULP members at the Roma meeting in April 2004. It was agreed that global inventory figures can give a more complete and accurate picture of the market. As a consequence UTIPULP did not oppose this first phase, but

stressed out that the timing of release of the statistics should be reduced to 2 weeks after the reference month.

Initially a Phase II was proposed by AF&PA Pulp Group with changes in the statistics themselves and 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-month moving average

On the demand side:

- ∅ report shipments in a 3-month 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-month moving average

UTIPULP strongly opposed this proposal, considering that transparency on the market is the best way to assure its good functioning (see “Actions taken by UTIPULP” hereunder).

On August 25th, 2004, AF&PA and MPA decided to implement a first row of changes, which may be called Phase II bis. Effective with August data, they will :

For the public :

- ∅ report monthly pulp producers inventories data in days-of-supply, instead of tons
- ∅ stop reporting production levels and operating rates

For the members of the associations :

- ∅ report inventory tonnage, production and operating rates with a one month lag.

AF&PA is willing to obtain the approval of as much stakeholders as possible on this proposal, including UTIPULP.

A discussion then takes place between the participants to determine UTIPULP position on the Phase II bis proposal, based on the slides that Mr David Pineault will present at the end of the meeting.

The main conclusions of this exchange are :

- Any try to hide figures or reduce the transparency on the market pulp statistics is not helping the Industry and will surely lead to increased speculation. Commodity markets, like the market pulp market are not served by restraining the access to the information
- Some members rejected the argument presented by the producers that lowering the level of information available on the market may lead to an increased competition
- It was underlined that some companies will have access to the producers information within their group, so creating a differentiated access to the information within UTIPULP members

- Members stressed out that North American producers should take into account that the European market is their biggest market
- If the evolution of the global statistical system continues that way, it is doubtful that UTIPULP will continue publishing figures
- If necessary the clear position of UTIPULP may be circulated to the specialised press

ð Actions taken by UTIPULP over the last months

As decided during the Roma meeting, a letter was sent on April 19th 2004, to AF&PA, with copy to Bracelpa, MPA, EPIS and Europulp, in order to present clearly the UTIPULP position on market pulp statistical system changes. It was pointed out that the issue being very important for all market pulp associations, it could be highly valuable to take the opportunity of the 2004 Market Pulp Conference in Vancouver to gather all the stakeholders and organise a meeting in order to make a complete review of the market pulp statistical system and find ways to mutually improve it.

AF&PA, Europulp and EPIS agreed to participate in this Vancouver meeting (summary hereunder).

Contacts have then be regular over the summer and EPIS was invited to present its position to the UTIPULP members at the Maastricht meeting. AF&PA then expressed its wish to also come and join the meeting in order to present the consequences of the changes implied by Phase 2 bis.

ð Report on the Vancouver meeting

During the Pulp Week in Vancouver a meeting was organised with the different pulp associations from North America (AF&PA) and Europe (EPIS, Europulp), in order to discuss the proposed changes to pulp producers' statistical system.

AF&PA insisted on the validity of the new statistical system, which they had been studying for more than one year. They have denied any willingness from their side to hide anything but to supply a "better balanced" picture of the market.

Therefore, they said that they will continue pursuing their "new" statistical method, which for the time being is being circulated internally in a parallel way to the "old" system.

Later on and based upon full acceptance by their members as well as MPA, they told attendees that they will stop producing old statistics and only release the new ones, supplying 10 years backward.

UTIPULP representatives insisted on the drawbacks of those changes and it was acknowledged that further discussions should take place between the market pulp producers and users on this statistical system issue. Therefore, other meetings would be organised in the coming months to make sure that UTIPULP is associated to the decision making process on the statistics system. The next meeting was planned to be organised in London, during the November Pulp Week.

To summarize, the main outcome of this meeting was that a discussion process was engaged between the different associations.

Mrs Riccioni recalls the participants that Europulp position was not clearly presented during this meeting. Further contacts with this organisation proved that market pulp agents are starting to be worried about the possible consequences of a statistical change.

She also underlines that EPIS is willing to continue publishing statistics and not to implement the second phase of the reform.

ð *Coming actions*

As agreed during the Vancouver meeting, further discussions will take place in London during the Pulp Week. As of mid-september, EPIS, AF&PA, and UTIPULP were planned to participate. The Agenda will be established depending on the modifications applied in the meantime.

Mrs Riccioni indicates UTIPULP members will have the opportunity to give their opinion on the reform directly to the producers representatives at the end of the meeting.

€ **Analysis of the last available statistics**

Mrs Riccioni asks the Secretary to present quickly the last available statistics on the market pulp. It is reminded to all the participants that a complete booklet of all the statistics available is included in their folder.

○ *World consolidated inventories*

The world consolidated inventories, gathering producers and consumers figures experienced a very strong increase over the last two years. They reached a historical pick level at the end of July 2004. It is noticed that while the consumer stocks were relatively stable over the period, the increase is mainly due to the very strong evolution of the producers inventories. Regarding the short term evolution, the global inventories increase in July 2004 (which is the last consolidated figure available), is a consequence of the producers inventories climbing by 344 000 tons (+10%), reaching 3,784 million tons.

○ *Europulp inventories*

The stocks of woodpulp in European ports, published by Europulp, are following the global trend, with an increase over the summer 2004. They also reached their highest level of the last couple of years by mid-summer. At the end of August, woodpulp inventories in European ports increased by 71 000 tons (+4,7%) compared to the July level. The inventories are still higher than one year ago (+69 000 tons - +3,9%).

o *UTIPULP statistics*

The global level of woodpulp consumption in Europe was on a high growth trend on the first quarter 2004, then slowed a little bit down. It is highlighted that the consumption was much more regular over the first eight months of the year than during 2003, no big variations in the pace of activity being experienced in 2004. This was mainly due to better market conditions on the paper side. The UTIPULP consumption registered its seasonal decline in August (-14,8% to 1,04 million tons), the level of woodpulp consumed being equivalent to the August 2003 one (-0,1%).

The European market pulp inventories reached their highest level by the end of the first quarter 2004. They declined slowly from this period until July, but picked up again in August. At the end of August, the consumers woodpulp inventories reached 1,206 million tons, this level being superior to July level by 1% (+12 200 tons). This August level is comparable to the August 2003 level. Expressed in days the inventories represent 29,9 days of consumption and varied in the same proportion as expressed in volume.

D) OTHER ISSUES

€ **Information on the new pulp future market at NYBOT**

The Secretary indicates that a contact has been taken with the New York Board of Trade, which will launch a new woodpulp future market in the next months. It is reminded that the previous future market, called Pulpex, ceased its activities in December 2003.

A set of document is attached to the folders, presenting the contract specifications (still draft) as well as a commercial presentation done by the NYBOT Vice-President during the last Papercast Conference held in Paris in September 2004.

Mrs Riccioni underlines that Mr O'Neil, NYBOT Vice-President, may be invited to present this new product in a more detailed way to UTIPULP members during one of the next UTIPULP general meetings.

The members asked the Secretary to circulate the name and address of the contacts at NYBOT to all members. It was also indicated that Mr Anthony Paul (Cellmark) was still active on the issue and will continue to promote the system.

€ **Report on contacts with the main Forest Certification Schemes management teams**

The Secretary makes a quick report on the contacts he had with the main Forest Certification Schemes management teams. It is indeed obvious that forest certification is a growing concern for all the wood pulp users. The contacts taken by UTIPULP with the different stakeholders are aimed at providing a much clearer picture of the situation.

A complete summary was distributed to the participants. The main remarks were that it would of course be interesting to circulate a more precise information on the issue, and especially on the volumes of certified woodpulp available on the market. However, the Secretary has to be cautious not to make things that have already been done by other organisations. More

specifically, CEPI is doing a very big work on the issue and its main conclusions may be circulated to UTIPULP members.

The German Delegation indicates that the message that PEFC and FSC certification scheme are both helpful in managing the forest in a sustainable way is given by the Federation to the marketing people of the companies. They accepted to expose this presentation to the members during the next UTIPULP meeting.

€ **Date and location of the next meeting**

In the name of the English Delegation, Mr Sexton proposes to invite UTIPULP to the United Kingdom for the next meeting and proposes the city of Bath. The English Delegation is thanked for the invitation. After a short discussion it is decided to hold the meeting on **March 31st and April 1st, 2005 in Bath**. Mr Sexton is asked to review the arrangements to get to Bath and if any major problem occurs to reconsider the location. The secretariat of UTIPULP will be in contact with CPI to prepare the organisation of the meeting.

5. EXTERNAL SPEAKERS

Mr Riccioni welcomes Mr David Pineault, AF&PA, and Mr Bernt Stenberg, EPIS, who were invited to intervene on their views upon the world market pulp statistical system reform (a copy of their presentations is attached to the Minutes of the meeting).

After their presentations, a discussion took place between the attendees and the AF&PA Pulp Director. Some remarks were done in addition to the one presented in point 4.C) :

- the inventory figure expressed in a days of supply format will lead to misinterpretations, as if recalculated in volume with the formula presented by Mr Pineault, the rounded figure may lead to an error of around 100 KT;
- the risk was considered as high that the formula for calculating the number of days of supply will be changed over the next years, leading to the inability to recalculate the volumes.

As a conclusion to the discussions with Mr Stenberg and Pineault, Mrs Riccioni strongly recalls the complete dissatisfaction of UTIPULP towards the proposed changes. It is underlined that the loss of transparency on the market that will consequently occur will certainly cause misinterpretations.

That is why UTIPULP opposes completely any further change to the statistical system in use. Mrs Riccioni indicates that UTIPULP will continue publishing the usual statistical data set, with no modification, as the Association is willing to present as transparent figures as possible.

6. MISCELLANEAOUS

Mrs Riccioni thanks all the UTIPULP members for the confidence they gave to her along the four years of her chairmanship. She enjoyed very much chairing the UTIPULP meetings and thanks all participants for the very good exchanges that occurred during these years. She wishes all her best to the new Chairman and Vice-Chairman.

The participants thanked her in return for her chairmanship and her strong involvement in the Association.

Having gone through all the items of the agenda, the Chairman closed the meeting at 13:00 p.m.

* * * * *

ANNEX 1

EPIS POSITION ON MARKET PULP STATISTICAL CHANGES

PRESENTATION OF MR BERNT STENBERG

E P I S

European Pulp Industry Sector

HISTORY

- established during the 1960:ies as an organization exchanging bleached hardwood market pulp statistics
- started a forecasting committee in 1974 making estimates of supply and demand short and medium term
- incorporated also bleached softwood market pulp statistics mid 1980:ies
- was administrated by EPI (European Paper Institute) 1982-1991
- administrated by MomentuM since 1991 Membership open to European bleached Market pulp producers with non-European Producers become associated members
- registering as an international organization in 2004
- will be administrated from Helsinki as of January 2005

EPIS

European Pulp Industry Sector

Organization

- Chairman and Vice chairman plus one more representative from Europe and one representative of the non-European members constituting the Steering Committee
- All members constituting the General Assembly
- A Statistical Committee made up by member analysts – dealing with statistical issues as well as assisting the Secretary general in making forecasts
- Secretariat with a Secretary General
- Services such as processing statistics, bookkeeping, secretarial services etc purchased from outside

EPIS

European Pulp Industry Sector

Activities

- main activity monthly statistics (from members and exchange partners global) on
 - production
 - producer inventories
 - deliveries
- one annual update of a supply/demand outlook report – short/medium term
- participating in CEPI committee work
- joint meetings with other Industry Sectors in paper/paperboard/Recovered paper
- Secretariat available for giving information when requested

EPIS

European Pulp Industry Sector

- **EPIS** is a European Industry Sector.
Non-European producers are invited as associated members.
- **EPIS** has a close but legally and financially independent position with **CEPI**, the Confederation European Paper Industries
- **EPIS** aim at keeping and **improving** a close and positive **relationship** with other pulp and paper **organizations in Europe**, both producers and consumers.

EPIS

European Pulp Industry Sector

- **EPIS** statistics focus on European production and demand, completed by additional data on imports from outside sources.
- **EPIS** as an organization is **collecting** data but **members** are doing the **analysis**.
- **EPIS is for increased transparency**. Members have access to an un-biased statistical data base.
- **EPIS** aim to make the statistics available within two weeks after the end of the month. The release must be orderly and **as early as possible after collection**.
- **EPIS** welcome the view of transparency that we have in Europe, when it comes to **sharing basic information** about the market between the industry sectors.
- **EPIS** do believe that a relevant information improve the **efficiency** in the planning and transaction processes.

ANNEX 2

AF&PA POSITION ON MARKET PULP STATISTICAL CHANGES

PRESENTATION OF MR DAVID PINEAULT

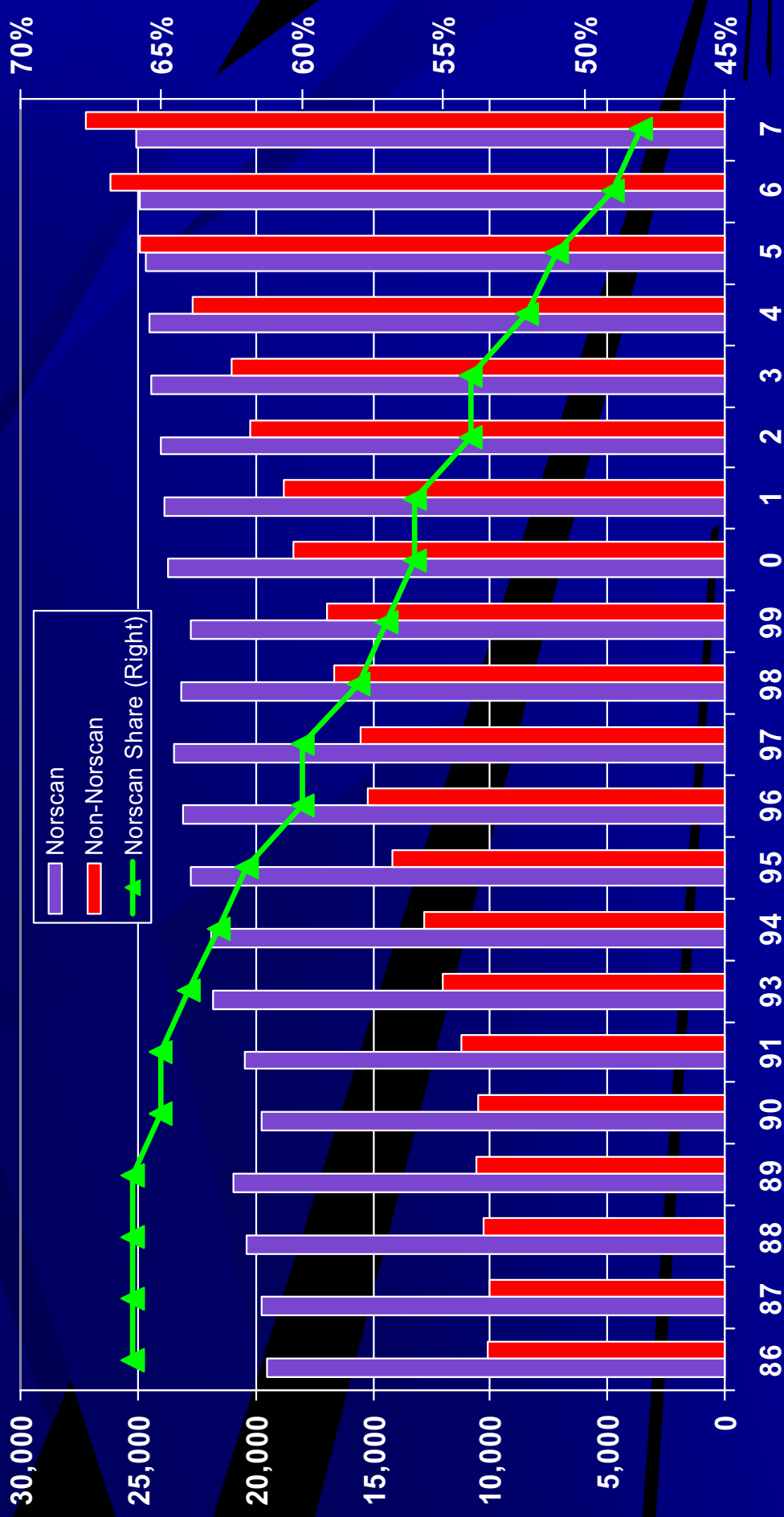
The background features a complex, abstract geometric design. It consists of various overlapping shapes, including triangles and polygons, in shades of blue and black. The shapes are arranged in a way that creates a sense of depth and movement, with some elements appearing to recede into the distance while others project forward. The overall effect is a dynamic and modern visual composition.

Revisions to International Market Pulp Statistical Reporting

Timeline

- February 2003
 - Discussions began with U.S. and Canadian producers
 - Legal counsel consulted to ensure legal propriety
- Summer 2003
 - Working groups evaluated current system and considered various alternatives
 - AF&PA engaged offshore producers
- Fall 2003
 - AF&PA advises U.S. consumers
- January 2004
 - Separate Release of Norscan Data Discontinued
- Spring 2004
 - Phase II Developed and Refined
 - Educational Outreach Efforts with Consumers
 - Gathering of Producers and Consumers in Vancouver (May 2004)
- Summer 2004
 - Outreach efforts between AF&PA and investment community
 - Conference call of the International Statistics Committee
 - Agreement to implement certain aspects of Phase II in September 2004

World Chemical Paper Grade Market Pulp Capacity (000 Tonnes, Share)



Effective Representative Statistics

■ Objectives

- Minimize Antitrust Risk for Member Companies
- Support Pro-competitive, Global System of Reporting
- Aid Decision Making for Member Companies
- Accurately Describe Market Conditions and Trends
- Portray Data in Historical Context

Constituencies Advised of Changes

- Producers
 - U.S, Canada, Europe, Latin America
 - Representing nearly 70% of world production
- Consumers
 - Utiulp
 - U.S. Consumers
- Wall Street
 - Investment Houses
 - Equity Analysts
- Consultants and Industry Trade Press
 - Paperloop/RISI
 - Forestweb
 - Euwiid
 - Hawkins Wright
 - Jaakko Poyry
 - NLK Associates
 - TerraChoice

Phase II: Implemented Changes to Market Pulp Statistical Reports

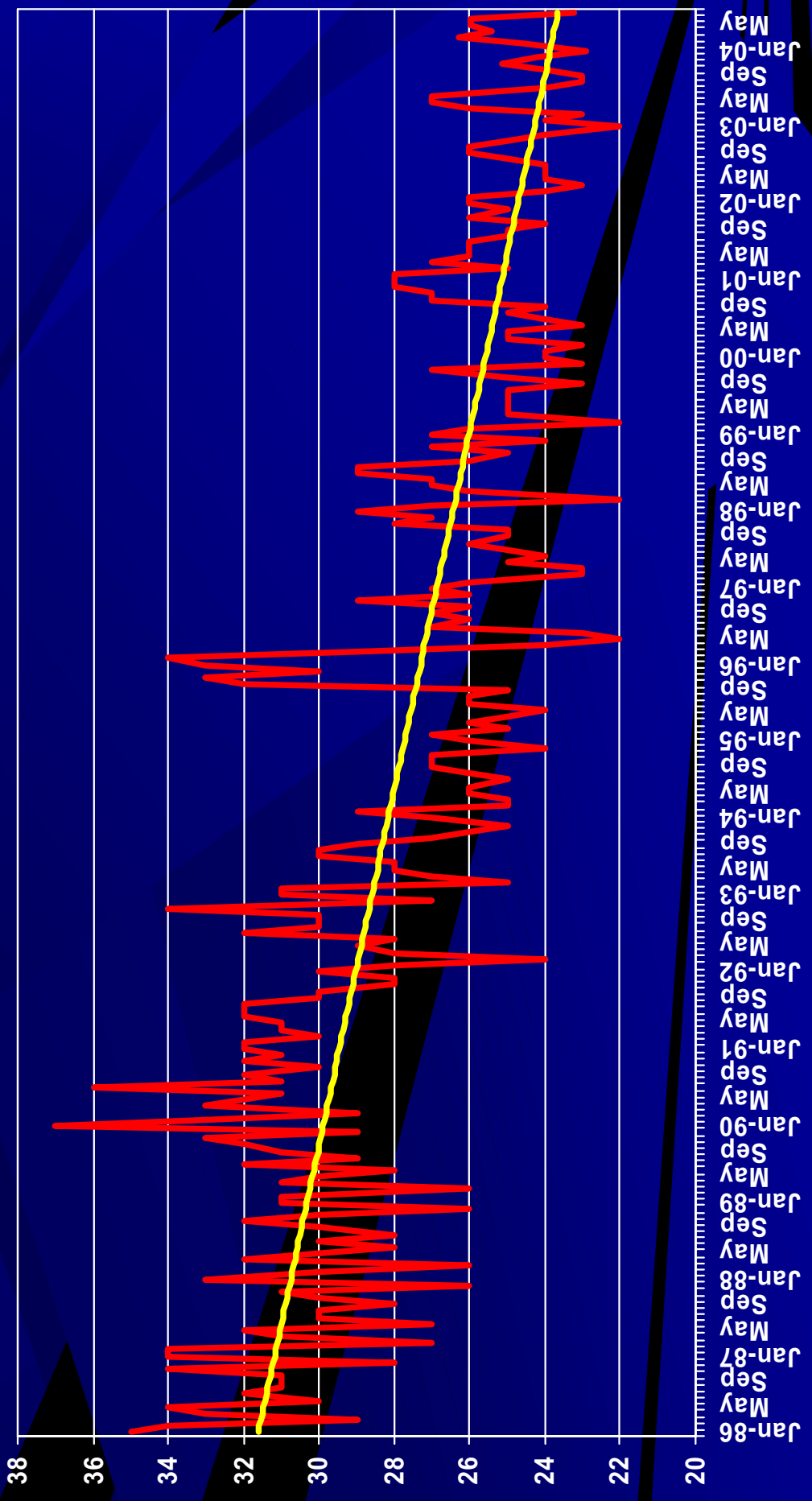
- A More Detailed, Higher-Frequency Reporting System Does Not have Legal Clearance or Sufficient International Support
 - Therefore, a trend reporting system was discussed
- Changes to Public Reports as of September 2004
 - Move up target release date to 20th of the month
 - Report summary level data (19 country) by major pulp grade
 - Report inventory in days of supply only
 - Discontinue reporting production
 - Discontinue reporting operating rates (production/capacity)
- Changes to Member Only Reports
 - Report production data with an additional 30 day lag
 - Report inventory data in tonnes with an additional 30 day lag
 - Reorganize regional data to comply with applicable antitrust guidelines

Phase II: Other Developments

- Data Elements That will Continue to be Reported
 - Raw Monthly Shipment Data by Grade by Destination Region
 - Shipments/Capacity Ratio
 - Calculate Days of Supply Using Existing Formula
- Changes On Hold Pending Further Discussion
 - Report Shipments in a 3 Month Moving Average
 - Remove Tied Shipments from Definition of Market Pulp
 - Explore Use of Seasonality in Calculation of Days of Supply

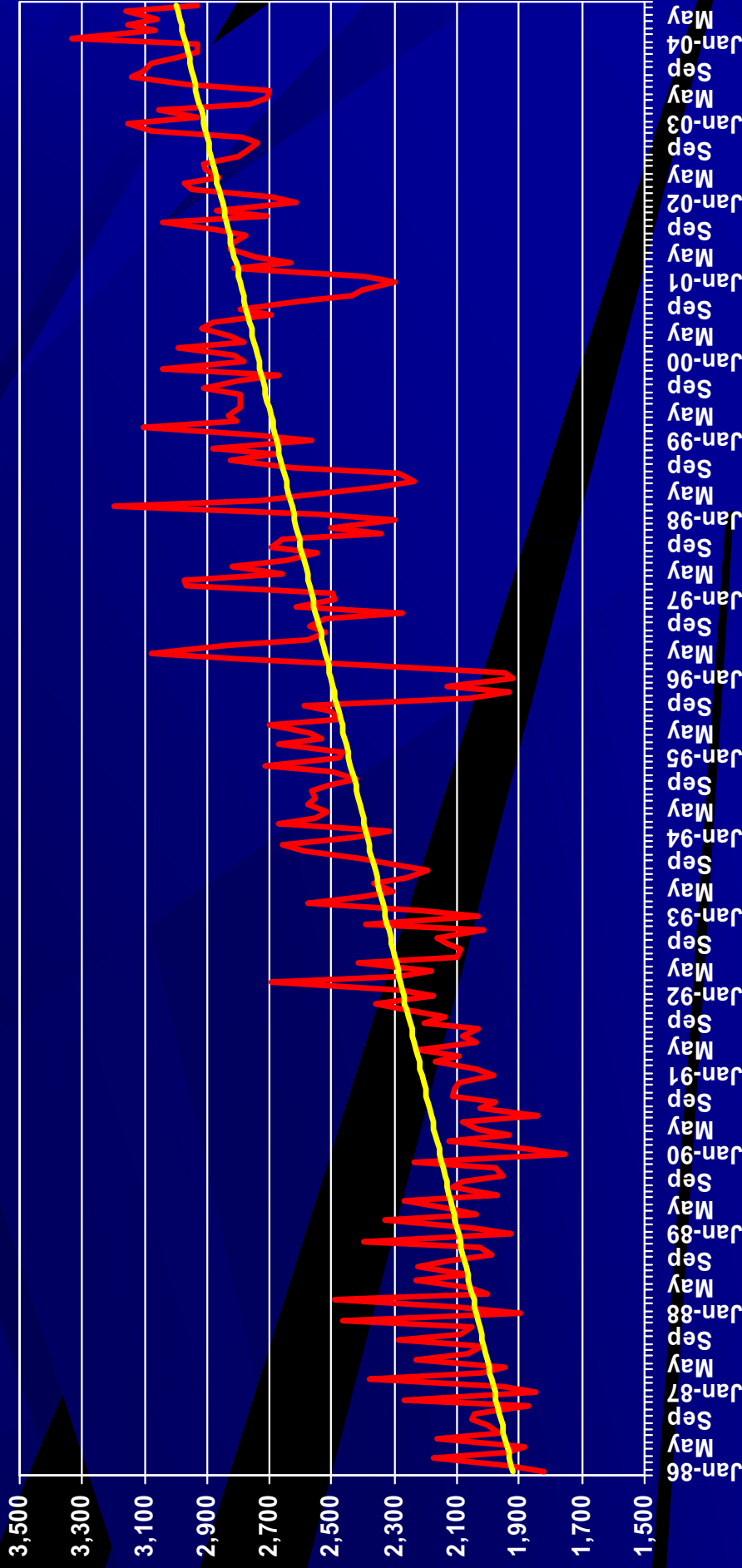
Perception of “Balanced” Inventory Level has not Changed Despite Growth in the Industry

Days of Supply Represented by 1.5 Million Tonnes

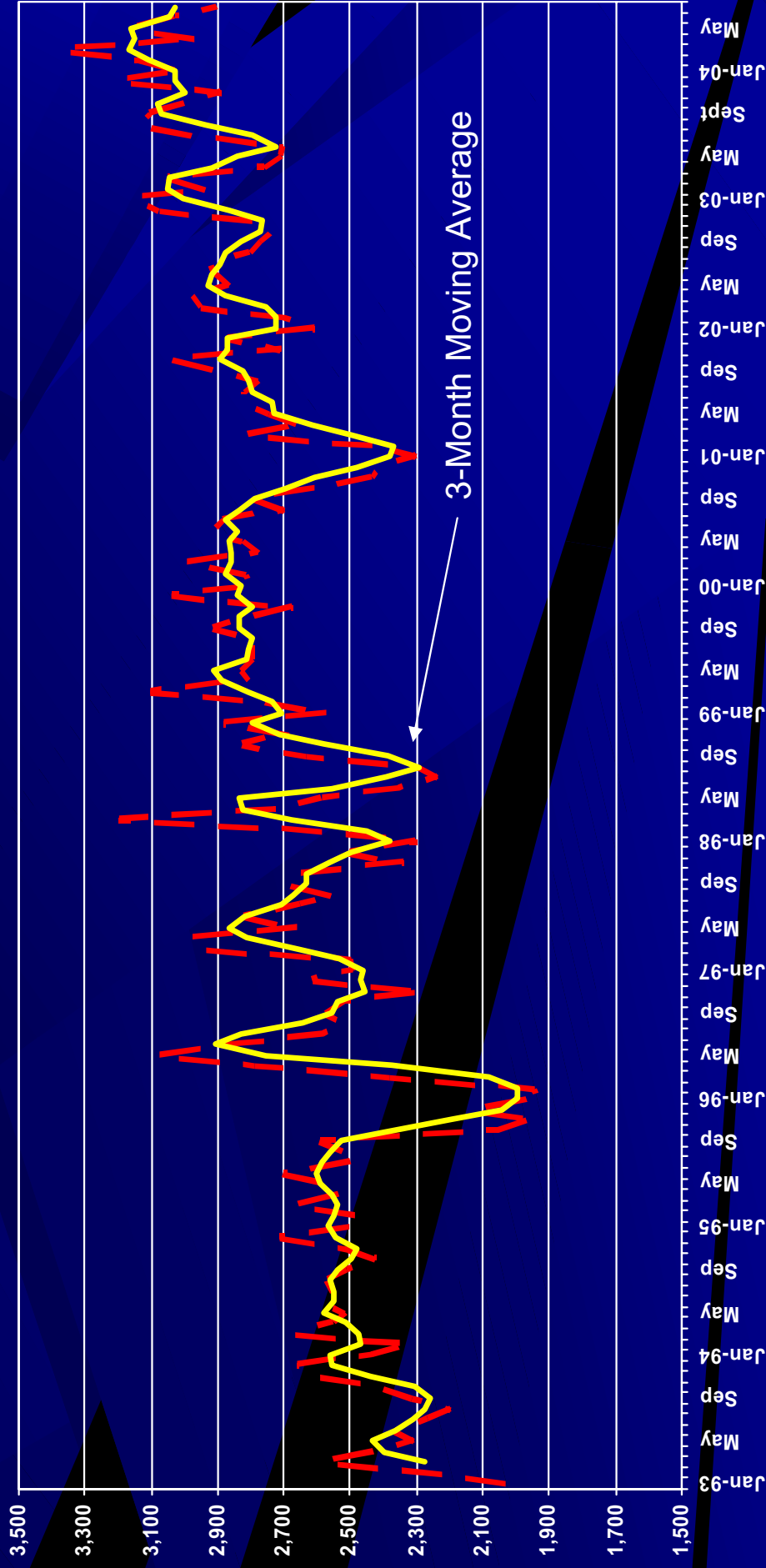


World Inventory Levels Have Risen Over Time

What 30 Days of Supply Has Meant Since 1986 (000 Tonnes)



World Market Pulp Shipments (000 Tonnes)



Producer Inventories – Days of Supply

- Current Formula

$DOS = (EI/Ship_3) \times \text{days in month}$

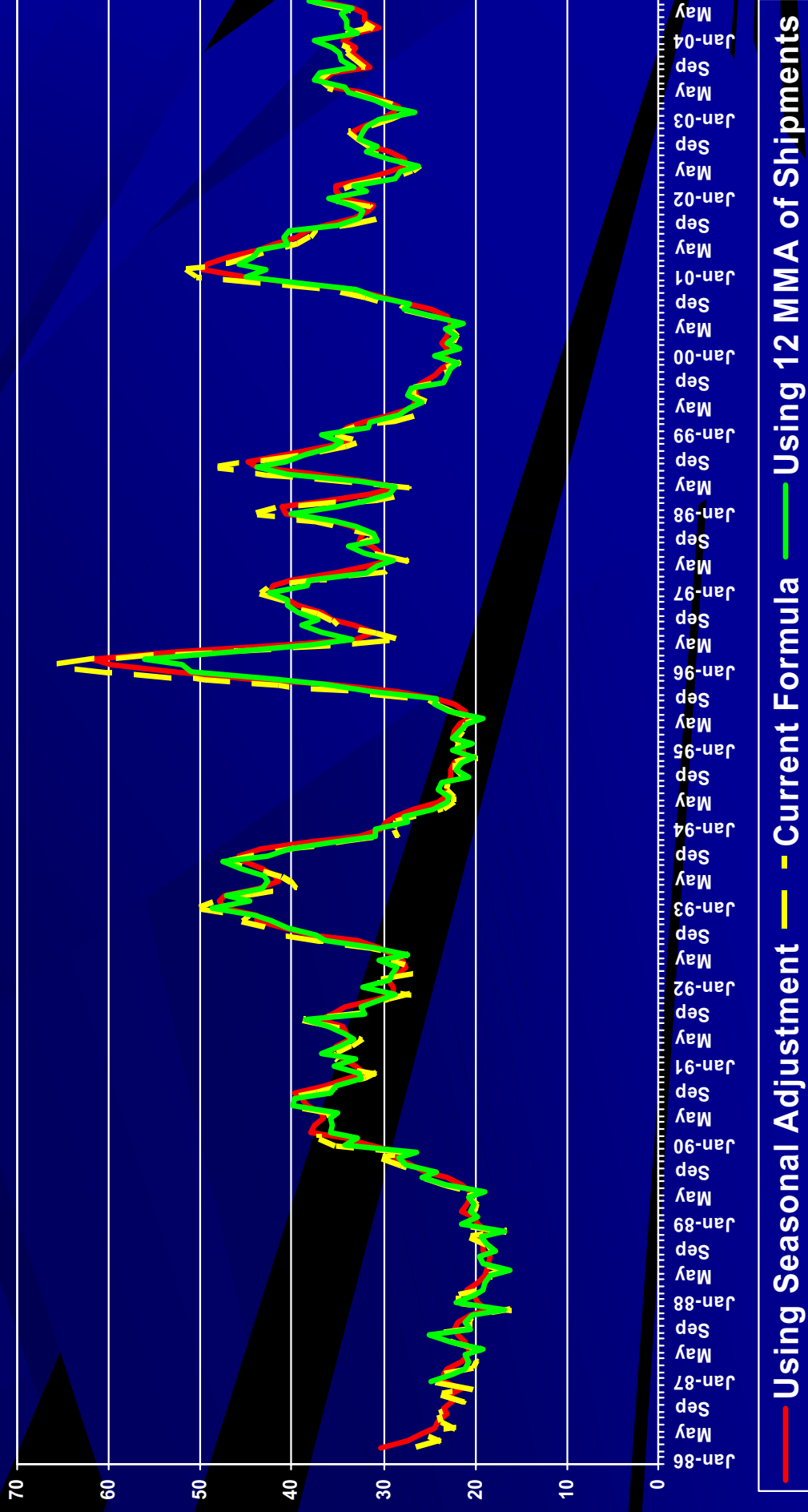
DOS = Days of Supply

- Individual Country Associations could Calculate Days of Supply using the following proposed Formula

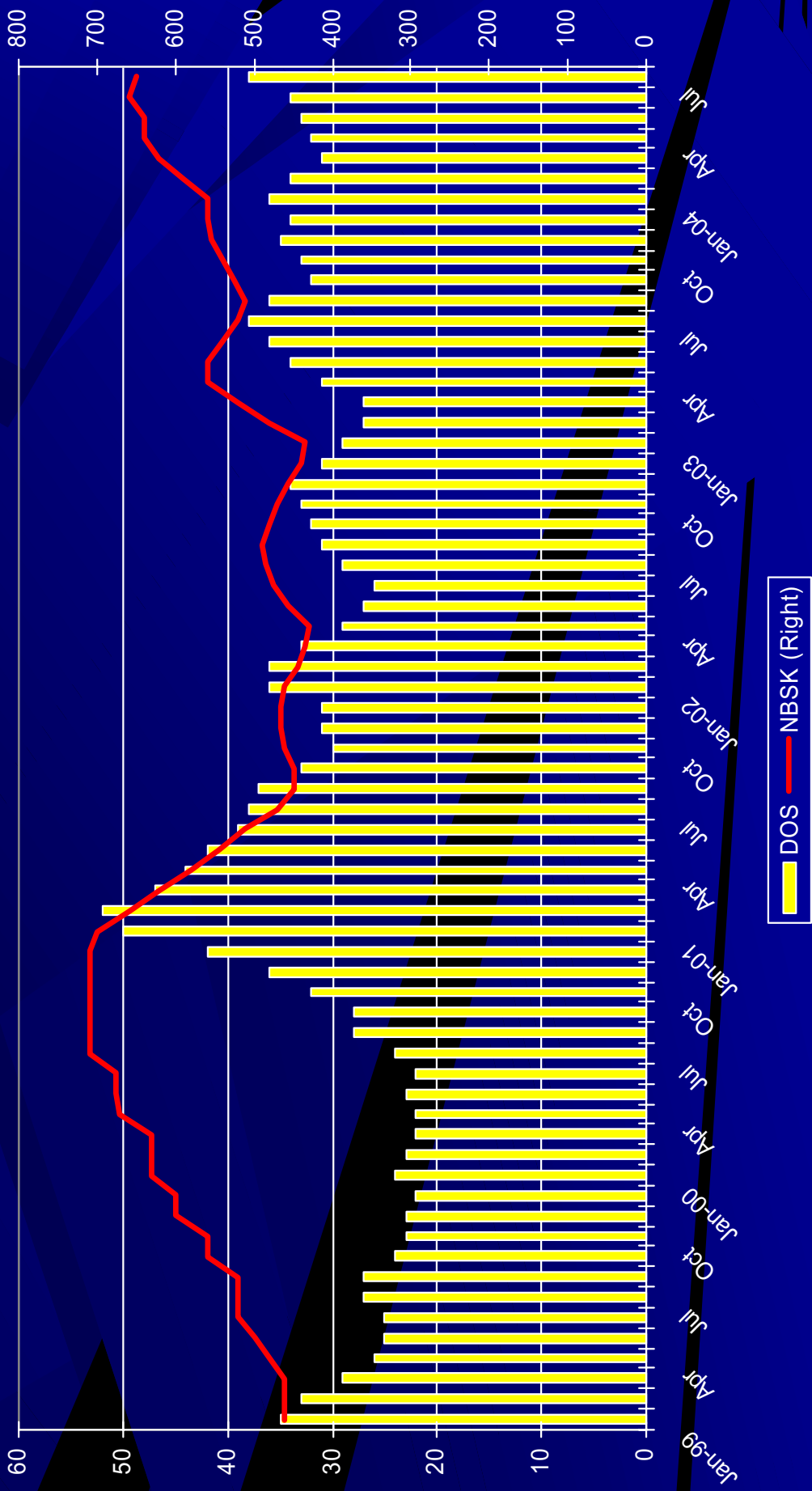
$DOS_3 = [EI_3/Ship_3] \times \text{days in month}$

Note: The new formula to calculate days of supply will not be implemented at this time.

Producer Inventory Days of Supply (Old Formula, New Formula)



Relationship Between Price and Producer Inventories (USD/Tonne Del. Europe, Days of Supply *)



NBSK Price is Courtesy of RISI

* Using Current Formula

Conclusions

- The Two Over-Arching Principles That Every Statistics Program MUST Satisfy Are:
 - To Comply with Applicable Antitrust Guidelines and Minimize Antitrust Risk
 - To Promote Competition
- A More Detailed, Higher-Frequency Global Reporting System Does Not Meet the Above Criteria And Does Not Have Sufficient International Support
- Therefore the task becomes to:
- Provide Representative Statistics that
 - Account for Statistical Anomalies
 - But That Are Still Sensitive to Market Dynamics
- Address Industry Seasonality
- Monitors and Analyzes Long-Term Trends