

## UTIPULP GENERAL MEETING

Brussels – April 17<sup>th</sup> , 2009

*Economic situation in the member countries*

### COUNTRY : AUSTRIA

#### 1. MACRO-ECONOMIC SITUATION

	2008 (actual)	2009 (forecast)	2010 (forecast)
<b>GDP ( Δ% )</b>	1,8	-0,5	0,9
<b>Household consumption (Δ%)</b>	1,0	1,0	1,0
<b>Business investment ( Δ% )</b>	2,0	-7,0	0,0
<b>Industrial production ( Δ% )</b>	3,0	-2,8	2,0
<b>Consumer prices ( Δ% )</b>	3,2	1,2	1,5
<b>Unemployment rate ( % )</b>	3,5	3,9	4,1

#### 2. PULP AND PAPER INDUSTRY SITUATION

	2007 (12 months) (in KT)	2008 (12 months) (in KT)	Δ%
<b>Pulp production</b>	1.988.616	1.988.946	0,0
<b>Paper and board production</b>	5.198.764	5.152.635	-0,9
- Graphic papers	3.068.000	3.009.000	-1.9
- Packaging grades	1.940.000	1.820.000	-6.2
- Hygiene	NA	NA	
<b>P &amp; B Exports</b>	4.414.394	4.423.204	0,2
<b>P &amp; B Imports</b>	1.415.724	1.336.353	-5,6
<b>P &amp; B Consumption</b>	2.184.836	2.100.726	-3,8

**Main events that occurred in the pulp and paper industry in your country (evolution of the markets, costs, profitability, new investments, closures...) over the last months and main issues that the Industry is dealing with in your country :**

Closure of Hallein paper mill.....  
Prod. In 1/09 down approx 20%.....  
No major investment currently.....  
Preparing for emissions trading.....

## **COUNTRY : BELGIUM**

### **1. MACRO-ECONOMIC SITUATION**

	<b>2008 (actual)</b>	<b>2009 (forecast)</b>	<b>2010 (forecast)</b>
<b>GDP ( Δ% )</b>	2,8	-1.9	0.3
<b>Household consumption ( Δ% )</b>	1,4	-.03	0.3
<b>Business investment ( Δ% )</b>			
<b>Industrial production ( Δ% )</b>			
<b>Consumer prices ( Δ% )</b>	4,5	0.6	1.6
<b>Unemployment rate ( % )</b>	7.0	7.8	

Source : Consensus Forecast (2009)

### **2. PULP AND PAPER INDUSTRY SITUATION**

	<b>2007 (12 months) (in KT)</b>	<b>2008 (12 months) (in KT)</b>	<b>Δ%</b>
<b>Pulp production</b>	513	511	-0.4
<b>Paper and board production</b>	1.969	1.935	-1.7
- Graphic papers	1.482	1.466	-1.1
- Packaging grades	393	370	-5.9
- Hygiene	94	99	5.3
<b>Paper and board Exports</b>	1 577		
<b>Paper and board Imports</b>	3 526		
<b>Paper and board Consumption</b>	3 948		

	<b>2008 (2 months) (in KT)</b>	<b>2009 (2 Months) <sup>1</sup> (in KT)</b>	<b>Δ%</b>
<b>Pulp production</b>	87	80	-8.0
<b>Paper and board production</b>	329	277	-15.8
- Graphic papers	259	197	-23.9
- Packaging grades	54	63	16.6
- Hygiene	16	17	6.3

<sup>1</sup> last available figures

**Main events that occurred in the pulp and paper industry in your country (evolution of the markets, costs, profitability, new investments, closures...) over the last months and main issues that the Industry is dealing with in your country :**

1. Bad profitability
2. Risk of closure of some companies (small of medium size)
3. Drop of demand on the markets for most paper grades

## COUNTRY : FRANCE

### 1. MACRO-ECONOMIC SITUATION

#### *Main macro-economic indicators*

	2008 (actual)	2009 (forecast)	2010 (forecast)
<b>GDP ( Δ% )</b>	0.8	-1.0	
<b>Household consumption (Δ%)</b>	0.9	0.1	
<b>Business investment ( Δ% )</b>	1.2	-3.8	
<b>Industrial production ( Δ% )</b>	-1.6	-3.7	
<b>Consumer prices ( Δ% )</b>	2.9	1.0	
<b>Unemployment rate ( % )</b>	7.4	8.4	

Source : Consensus Forecast

### 2. PULP AND PAPER INDUSTRY SITUATION

	2007 (12 months) (in KT)	2008 (12 months) (in KT)	Δ%
<b>Pulp production</b>	2 375	2 340	-1.5
<b>Paper and board production</b>	9 871	9 420	-1.4
- Graphic papers	4 287	3 943	-8.0
- Packaging grades	4 370	4 290	-1.8
- Hygiene	754	740	-1.8
<b>P &amp; B Exports</b>	5 312	5 139	-3.3
<b>P &amp; B Imports</b>	6 574	6 428	-2.2
<b>P &amp; B Consumption</b>	11 133	10 709	-3.8

	2008 ( 2 months) (in KT)	2009( 2 months) <sup>1</sup> (in KT)	Δ%
<b>Pulp production</b>	413	289	- 30.0
<b>Paper and board production</b>	1 667	1 375	- 17.5
- Graphic papers	722	536	- 25.8
- Packaging grades	750	657	- 12.4
- Hygiene	75	66	- 11.5

<sup>1</sup> last available figures

## COUNTRY : .GERMANY

### 1. MACRO-ECONOMIC SITUATION

	2008 (actual)	2009 (forecast)	2010 (forecast)
<b>GDP ( <math>\Delta\%</math> )</b>	1,3	-5.0	1,2
<b>Household consumption ( <math>\Delta\%</math> )</b>	-0,1	0,1	-0,1
<b>Business investment ( <math>\Delta\%</math> )</b>	4,2	-8,0	2,0
<b>Industrial production ( <math>\Delta\%</math> )</b>	1,0	-9,0	Na
<b>Consumer prices ( <math>\Delta\%</math> )</b>	2,6	0,5	1,5
<b>Unemployment rate ( % )</b>	7,8	9,0	9,7

**Source:** Deutsche Bank Research (March 2009)  
Monthly changes by government, institutes etc. are possible.

### 2. PULP AND PAPER INDUSTRY SITUATION

	2007 (12 months) (in KT)	2008 (12 months) (in KT)	$\Delta\%$
<b>Pulp production</b>	1,545	1,520	-2
<b>Paper and board production</b>	23,319	22,848	-2
- Graphic papers	10,814	10,585	-2
- Packaging grades	9,572	9,356	-2
- Hygiene	1,324	1,405	+6
<b>P &amp; B Exports</b>	14,241	14,014	-2
<b>P &amp; B Imports</b>	11,795	11,685	-1
<b>P &amp; B Consumption</b>	20,873	20,519	-2

	2008 (2 months) (in KT)	2009 (2 months) <sup>1</sup> (in KT)	$\Delta\%$
<b>Pulp production</b>	254	231	-9
<b>Paper and board production</b>	3,880	3,328	-14
- Graphic papers	1,802	1,458	-19
- Packaging grades	1,589	1,445	-8
- Hygiene	225	227	+1

<sup>1</sup> last available figures

## **COUNTRY : ITALY**

### **1. MACRO-ECONOMIC SITUATION**

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	2008	2009 (forecast)	2010 (forecast)
GDP ( $\Delta$ %)	-1,0	-3,5	0,8
Household Consumption ( $\Delta$ %)	-0,9	-1,4	0,9
Gross Fixed Investment ( $\Delta$ %)	-3,0	-9,1	1,6
Industrial Production ( $\Delta$ %)	-4,3	-8,9	0,2
Consumer Prices ( $\Delta$ %)	3,3	0,8	1,5
Unemployment rate ( $\Delta$ %)	6,7	8,6	9,0

*Centro Studi Confindustria, Consensus*

#### **Remarks :**

The progressive weakening of Italian economy during 2008 culminated on last 4th Q which showed -2,7 respect to the same period 2007, mainly due to the weakening of all demand components.

In the mean of 2008 GDP decreased by 1%, as a consequence of important reductions in Household consumption (-0,9%), Gross Fixed Investments (-2,9%) and Export (-3,7%), mainly due to the drop of German demand and by the braking of emerging countries.

Linked with the reduction of both internal and external demand, Industrial production lost 8,3% between September and December. In the mean of the year industrial activity showed a decrease of 43% respect to 2007.

Prices continued to grow until July/August. They downsized in the last part of the year gradually as a consequence of growing impacts of financial crisis on the real economy. In the mean of the year Consumer Prices increased by 3.3%.

As everywhere in the world, hardest impacts of international crisis are producing during 2009. More recent outlooks reported in the table are the result of likely expectations of a coming back to the growth not before the second half of the year, though with reduced rates.

As for Industrial Production, after the fall of Q4 2008 and the similar trend of Q1 2009, positive effects of Governmental incentives and the need to restocking will produce a check on fall during current Q2; a better impulse will arrive after as a consequence of the international demand restart.

## 2. PULP AND PAPER INDUSTRY SITUATION

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1.000 Tons	2007	2008	2008/2007 %
<b>Pulp Production (woodpulp) - 12 months</b>	498	488	-2,2
<b>Paper and Board Production - 12 months</b>	10.112	9.467	-6,4
-Graphic papers	3.458	3.228	-6,7
-Packaging grades	4.681	4.434	-5,3
-Household and sanitary papers	1.451	1.370	-5,6
-Others	522	435	-16,7
<b>Paper and Board Exports - 12 months</b>	3.560	3.350	-5,9
<b>Paper and Board Imports - 12 months</b>	5.465	4.967	-9,1
<b>Paper and Board Consumption - 12 months</b>	12.017	11.084	-7,8

*Official figures from ISTAT (Italian Institute of Statistics)*

As far as paper sector is concerned, **P&B production** was near to **9.5 million tons in 2008**, **-6.4%** respect to over 10.1 million tons of 2007. This strong reduction, mainly due to the hard impact of international crisis in the last part of the year which produced an acceleration of reorganization/rationalization process, is the second for intensity after 1986 and takes the sector activity back to 2002-2003 levels.

Bad performances of demand in the last part of the year caused new and more extended reductions of P&B prices with several impact on **Turnover**: based on Assocarta estimates, it amounted in **7.1 billion €**, **-6.7%** respect to 2007 (over 7.6 billion €).

Considering more recent trends, P&B Italian sector remains more and more affected by the complex economic situation, both national and international, to which we have to add the negative effects of growing continuous policies aiming at reducing paper utilization, coming from different parts: both in public offices –to reduce costs- and, more in general (press, public opinion, etc) as a consequence of a distorted view of the relationship between environmental issues and P&B production / consumption.

At this purpose, Assocarta realized a brochure entitled “La Carta tra Luoghi Comuni e Realtà” (Paper between Catchphrase and Reality) -only available for the moment in Italian language (copy attached)-; which is going to be widely distributed.

Furthermore the need to reduce energy costs is crucial and concerns remain about impacts on the sector from revising ETS directive. At this purpose the sector is awaking policy makers to the undelayable necessity of urgent, aimed measures mainly regarding energy situation to go over present emergency situation which put to hazard competitiveness of Italian companies and their same survival.

Al the above describe a situation of heavy emergence, which is made more and more difficult from the end of 2008 by the general fall in demand: the reorganization process of Italian paper sector is going on with mergers, rationalizations in production which require some shuts down and growing recourse to social security cushion (lay-off pay).

Market penetration and protectionist politics acted by emerging Far East countries, mainly China, represent further elements of strong uncertainty to be kept under control.

## **COUNTRY : NETHERLANDS**

### **1. MACRO-ECONOMIC SITUATION**

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	<b>2008 (actual)</b>	<b>2009 (forecast)</b>	<b>2010 (forecast)</b>
<b>GDP ( Δ% )</b>	2.0	-3.5	
<b>Household consumption (Δ%)</b>	1.7	-0.3	
<b>Business investment ( Δ% )</b>	9.7	-11.3	
<b>Industrial production ( Δ% )</b>			
<b>Consumer prices ( Δ% )</b>	2.2	1.0	
<b>Unemployment rate ( % )</b>	n.a.	n.a.	

Source : Consensus Forecast

### **2. PULP AND PAPER INDUSTRY SITUATION**

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	<b>2007 (12 months) (in KT)</b>	<b>2008 (12 months) (in KT)</b>	<b>Δ%</b>
<b>Pulp production</b>	No market pulp	No market pulp	
<b>Paper and board production</b>	3219	2977	-8
- Graphic papers	1345	1170	-13
- Packaging grades	1759	1690	-4
- Hygiene	115	117	+2
<b>P &amp; B Exports</b>			
<b>P &amp; B Imports</b>			
<b>P &amp; B Consumption</b>			

## **COUNTRY : PORTUGAL**

### **1. MACRO-ECONOMIC SITUATION**

#### ***Main macro-economic indicators***

	<b>2008 (actual)</b>	<b>2009 (forecast)</b>	<b>2010 (forecast)</b>
<b>GDP ( Δ% )</b>	0.5	0.3	-
<b>Household consumption (Δ%)</b>	1.2	1.2	-
<b>Business investment ( Δ% )</b>	-0.9	-0.5	-
<b>Industrial production ( Δ% )</b>	-1.4	-1.2	-
<b>Consumer prices ( Δ% )</b>	0.8	0.6	-
<b>Unemployment rate ( % )</b>	7.6	8.5	-

### **2. PULP AND PAPER INDUSTRY SITUATION**

	<b>2007 (12 months) (in KT)</b>	<b>2008 (12 months) (in KT)</b>	<b>Δ%</b>
<b>Pulp production</b>	2090	1922	<b>-8.0</b>
<b>Paper and board production</b>	1641	1682	2.5
- Graphic papers	1056	1064	0.8
- Packaging grades	516	666	29.1
- Hygiene	72	75	4.2
<b>P &amp; B Exports</b>	1330	1331	0.1
<b>P &amp; B Imports</b>	1043	988	<b>-5.3</b>
<b>P &amp; B Consumption</b>	1337	1291	<b>-3.4</b>



## **COUNTRY : SPAIN**

### **1. MACRO-ECONOMIC SITUATION**

#### ***Main macro-economic indicators***

	<b>2008 (actual)</b>	<b>2009 (forecast)</b>	<b>2010 (forecast)</b>
<b>GDP ( Δ% )</b>	1,2	-2,0	-0,2
<b>Household consumption (Δ%)</b>	0,1	-1.6	
<b>Business investment ( Δ% )</b>	-3,0	-7.5	
<b>Industrial production ( Δ% )</b>	-6,5	-6.5	
<b>Consumer prices ( Δ% )</b>	1,4	1.5	
<b>Unemployment rate ( % )</b>	13,9	16,1	18,7

#### **Remarks :**

The official figures of the year 2008 showed that the forecast made by the government was wrong, as many international organisations and experts from Spain argued at that moment. The GDP increased 1,2 % instead of 3,1 % as forecast by the government, the unemployment rate reached in December 2008, 13,9 % and the rest of magnitudes, business investment, industrial production, etc. decreased. The situation was very difficult, getting extremely worse since the beginning of the fourth Quarter.

For this year 2009 the forecast is even worse. The GDP will decrease 2 % or may be more, the unemployment rate superior to 16 %, consumption 10 % lower and in a scenario where deflation is a possible risk.

### **2. PULP AND PAPER INDUSTRY SITUATION**

	<b>2007 (12 months) (in KT)</b>	<b>2008 (12 months) (in KT)</b>	<b>Δ%</b>
<b>Pulp production</b>	2.080,2	2.009,1	-3,4
<b>Paper and board production</b>	6.713,3	6.414,3	-4,5
- Graphic papers	2.021,1	1.974,0	-2,3
- Packaging grades	3.359,1	3.161,3	-5,9
- Hygiene	702,8	727,8	+3,6
Others	630,3	551,2	-12,6
<b>P &amp; B Exports</b>	2.769,6	2.964,6	+7,0
<b>P &amp; B Imports</b>	3.763,3	3.815,9	+1,4
<b>P &amp; B Consumption</b>	7.707,1	7.265,6	-5,7

**Main events that occurred in the pulp and paper industry in your country (evolution of the markets, costs, profitability, new investments, closures...) over the last months and main issues that the Industry is dealing with in your country :**

We think that, in general terms, as in the rest of Europe, companies were obliged to reduce production in all sectors, downtimes, closures, lay off employees etc.

Tissue paper sector was the only one in which production was positive compared to previous year.

The situation is really severe. According to provisional figures for the first part of the year, the activity has decreased 20 % or even more and, as consequence the production of paper also at the same percentage. Therefore prices are going down. In a sector very important for the Spanish paper industry prices are now, in March 2009, a 40 % lower than in November 2008.

The scenario is critical. Some companies will not be able to afford the situation and probably they will have to close.

Probably the biggest problem is that it looks impossible to foresee when the current situation will change.

## COUNTRY : SWITZERLAND

### 1. MACRO-ECONOMIC SITUATION

	2008 (actual)	2009 (forecast)	2010 (forecast)
<b>GDP ( <math>\Delta\%</math> )</b>	3.9	-0.7	
<b>Household consumption ( <math>\Delta\%</math> )</b>	3.4	0.3	
<b>Business investment ( <math>\Delta\%</math> )</b>	2.1	-3.2	
<b>Industrial production ( <math>\Delta\%</math> )</b>	3.7	-5.5	
<b>Consumer prices ( <math>\Delta\%</math> )</b>	2.4	0.4	
<b>Unemployment rate ( % )</b>	2.6		

Source : IMF Dissemination Standards Bulletin Board (DSBB). Consensus Forecast (2009)

### 2. PULP AND PAPER INDUSTRY SITUATION

	2007 (12 months) (in KT)	2008 (12 months) (in KT)	$\Delta\%$
<b>Chemical Pulp production</b>	108	72	-33.3
<b>Paper and board production Total</b>	1704	1698	-0.3
- Newsprint	341	354	3.8
- <b>Other</b> Graphic papers	684	692	1.2
- Packaging grades	493	458	-7.1
- Hygiene	77	78	1.3
- <b>Other Papers</b>	107	114	6.5
<b>P &amp; B Exports</b>	1171	1189	1.5
<b>P &amp; B Imports</b>	1147	1147	-
<b>P &amp; B Consumption</b>	1680	1656	-1.4

**Main events that occurred in the pulp and paper industry in your country (evolution of the markets, costs, profitability, new investments, closures...) over the last months and main issues that the Industry is dealing with in your country :**

Borregaard stopped chemical pulp production end of 2008.....

## **COUNTRY : UNITED KINGDOM**

### **1. MACRO-ECONOMIC SITUATION**

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#### ***Main macro-economic indicators***

	<b>2008 (actual)</b>	<b>2009 (forecast)</b>	<b>2010 (forecast)</b>
<b>GDP ( Δ% )</b>	0.8	-2.2	0.6
<b>Household consumption (Δ%)</b>	1.7	-1.8	0
<b>Business investment ( Δ% )</b>	-3.8	-8.8	-1.8
<b>Industrial production ( Δ% )</b>	-1.9	-5.4	0.7
<b>Consumer prices ( Δ% )</b>	3.6	1.0	1.9
<b>Unemployment rate ( % )</b>	2.8	4.8	5.9

Source : Consensus Forecast

### **2. PULP AND PAPER INDUSTRY SITUATION**

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	<b>2007 (12 months) (in KT)</b>	<b>2008 (12 months) (in KT)</b>	<b>Δ%</b>
<b>Pulp production</b>	n.a.	n.a	+4.9
<b>Paper and board production</b>	5228	4983	-4.7
- Graphic papers	2229	2063	-7.4
- Packaging grades	1852	1838	-0.8
- Hygiene	834	783	-6.1
<b>P &amp; B Exports</b>	971	1030	+6.0
<b>P &amp; B Imports</b>	7890	7422	-5.9
<b>P &amp; B Consumption</b>	12127	11438	-5.7

	<b>2008 (2 months) (in KT)</b>	<b>2009(2 months) <sup>1</sup> (in KT)</b>	<b>Δ%</b>
<b>Pulp production</b>	n.a.	n.a.	-10.0
<b>Paper and board production</b>	858	710	-17.3
- Graphic papers	357	275	-22.9
- Packaging grades	317	275	-13.3
- Hygiene	129	125	-3.3
<b>P &amp; B Exports</b>	177	147	-17.1

<sup>1</sup> last available figures

**Main events that occurred in the pulp and paper industry in your country (evolution of the markets, costs, profitability, new investments, closures...) over the last months and main issues that the Industry is dealing with in your country :**

Closure of M-real New Thames machine(Uncoated woodfree cut sizes) and conversion by St Regis Paper Co. into lightweight corrugated machine which is running at expected capacity.

Closure of several mills: International Paper Inverurie Mill (Fine Papers – March); Arjo Wiggins Dartford Mill (Fine Papers – March); Rigid Paper (CCM – January); Mondi Packaging Holcombe (CCM – November); Sappi Blackburn (Coated Woodfree - November  
Other issues: EU ETS Phase III; the next part of the domestic Climate Change Levy; the domestic Carbon Reduction Commitment (CRC); and IPPC revision.