UTIPULP GENERAL MEETING
Barcelona – September 20th , 2013

KEYPOINTS OF THE PULP AND PAPER INDUSTRY IN THE MEMBER COUNTRIES

COUNTRY : AUSTRIA

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 Austria :

- Cost : energy and wood procurement remain to be driving factors
- Investment : apart from replacements there are three major investments in Austria :
  - Re-built of Hallein for dissolving pulp (completed)
  - Installation of new boiler in Frantschach (start up soon)
  - New PM2 in Pöls (half way through)
- Closures : Frohnleiten corrugated mill (W. Hamburger) was closed in April

Key figures

	2011 (12 months) *(in KT)*	**2012 (12 months)** *(in KT)*	**Δ%**
Pulp production	1 716	1 727	0.6
Paper and board production	4 901	5 004	2.1
- Graphic papers	2 705	2 813	4.0
- Packaging grades	1 916	1 912	-0.2
- Hygiene	132	131	-0.7
P & B Exports	4 217	4 362	3.4
P & B Imports	1 459	1 296	-11.2
P & B Consumption	2 143	1 938	-9.6

	2012 (6 months) *(in KT)*	**2013 (6 months)** *(in KT)*	**Δ%**
Pulp production	863	806	-6.6
Paper and board production	2 498	2 413	-3.4
- Graphic papers	1 411	1 343	-4.8
- Packaging grades	948	931	-1.8
- Hygiene	n.a.	n.a.	n.a.

Source : CEPI

COUNTRY : BELGIUM

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 Belgium :

Key figures

	2011 (12 months) *(in KT)*	**2012 (12 months)** *(in KT)*	**Δ%**
Pulp production	n.a.	n.a.	n.a.
Paper and board production	1 961	2 007	2.3
- Graphic papers	1 427	1 452	1.8
- Packaging grades	n.a.	n.a.	n.a.
- Hygiene	n.a.	n.a.	n.a.
P & B Exports	1 500	1 553	3.5
P & B Imports	3 174	3 206	1.0
P & B Consumption	3 635	3 661	0.7

	2012 (6 months) *(in KT)*	**2013 (6 months)** *(in KT)*	**Δ%**
Pulp production	n.a.	n.a.	n.a.
Paper and board production	1 002	989	-1.3
- Graphic papers	723	708	-2.1
- Packaging grades	n.a.	n.a.	n.a.
- Hygiene	n.a.	n.a.	n.a.

Source : CEPI

COUNTRY : FRANCE

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 France :

• Consumption of households will decrease due to increased taxes and unemployment rates

• Investments by company will remain dull

• Regarding pulp demand, a capacity shut down in 2012 (Alizay), bought by "Double A", started again in June (capacity of 300 000 t of office paper)

• Two mills are in the process of being sold :
Stora Enso Corbehem (LWC) and Docelles (UPM, office paper)

Key figures

	2011 (12 months) *(in KT)*	**2012 (12 months)** *(in KT)*	**Δ%**
Pulp production	1 927	1 815	-5.8
Paper and board production	8 545	8 100	-5.2
- Graphic papers	3 431	3 086	-10.1
- Packaging grades	3 935	3 791	-3.7
- Hygiene	749	794	5.9
P & B Exports	4 753	4 483	-5.7
P & B Imports	5 887	5 576	-5.3
P & B Consumption	9 679	9 193	-5.0

	2012 (6 months) *(in KT)*	**2013 (6 months)** *(in KT)*	**Δ%**
Pulp production	939	849	-9.6
Paper and board production	4 177	4 054	-2.9
- Graphic papers	1 607	1 464	-8.9
- Packaging grades	1 958	1 967	0.5
- Hygiene	394	397	0.8

Source : CEPI

COUNTRY : GERMANY

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 Germany :

➔ See details concerning main events occurred in the German pulp and paper industry as well as main issues in the annexed separate document

Key figures

	2011 (12 months) *(in KT)*	**2012 (12 months)** *(in KT)*	**Δ%**
Pulp production	2 814	2 822	0.3
Paper and board production	22 706	22 630	-0.3
- Graphic papers	9 820	9 381	-4.5
- Packaging grades	10 042	10 363	3.2
- Hygiene	1 377	1 399	1.6
P & B Exports	13 483	13 523	0.3
P & B Imports	11 032	10 931	-0.9
P & B Consumption	20 255	20 038	-1.1

	2012 (6 months) *(in KT)*	**2013 (6 months)** *(in KT)*	**Δ%**
Pulp production	1 297	1 295	-0.2
Paper and board production	11 304	11 211	-0.8
- Graphic papers	4 662	4 430	-5.0
- Packaging grades	5 195	5 268	1.4
- Hygiene	696	724	4.0

Source : CEPI

COUNTRY : ITALY

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

- **Costs and paper market** – Demand remains weak in general, with some very slight improvement and still difficulties to adequate paper prices to costs. Outlooks are very cautious.
- **Reorganization and rationalization process** of Italian paper sector is proceeding with stops in production (no newsprint production in Italy since last February), mergers (Ahlstrom/Munksjö for Mathi Canavese mill), acquisitions (Alanno mill by the Italian ICO, Carmignano and Condino plants by Austrian Delfort) . Paper chain temporary layoff (Cassa Integrazione) is confirming in 2013 very high levels observed since 2010.

and main issues that the Industry is dealing with in Italy :

- **Energy – Electricity prices** in Italy are structurally higher (around 30%) than others EU Countries. Also additional costs linked to electricity are really high: 50 €/MWh for RES (Renewable Energy System) policy and more than 10 €/MWh for grid balancing. Starting from 1 al July 2013 there will be a relief for energy intensive industries on RES component. Looking at **gas**, during last months Italian price was aligned to EU price especially cause of the crisis (demand of gas is still decreasing). At the beginning of September started the future gas market exchange.
- **ETS** – Strong concern about the correction factor which reduced the emissions by 11% (as an average in a period of 8 yeas). It will cost 2 million euros per year to the Italian pulp and paper industry. At European level now discussion is started on the new emissions reduction target for 2030.
- **Timber Trade Regulation** - Progress have been made, the companies are applying the due diligence and Assocarta is participating in the Consortium Conlegno which was appointed as Monitoring Organization. Still work in progress for improving the criteria for evaluating the risk of importing illegal wood and wood products.
- **Industrial Emissions Directive** - The revision of the BREF Report for the Pulp and Paper industry near to be completed. Some emissions limits are highly demanding for the industry.

Key figures

	2011 (12 months) *(in KT)*	**2012 (12 months)** *(in KT)*	**Δ%**
Pulp production	n.a.	n.a.	n.a.
Paper and board production	9 042	8 588	-5.0
- Graphic papers	3 047	2 905	-4.6
- Packaging grades	4 178	3 893	-6.8
- Hygiene	1 406	1 410	0.3
P & B Exports	3 623	3 630	0.2
P & B Imports	5 172	4 914	-5.0
P & B Consumption	10 591	9 871	-6.8

	2012 (6 months) *(in KT)*	**2013 (6 months)** *(in KT)*	**Δ%**
Pulp production	279	197	-29.4
Paper and board production	4 464	4 367	-2.2
- Graphic papers	1 536	1 425	-7.2
- Packaging grades	2 023	2 016	-0.3
- Hygiene	715	723	1.1

Source : CEPI

COUNTRY : NETHERLANDS

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 Netherlands :

Key figures

	2011 (12 months) *(in KT)*	**2012 (12 months)** *(in KT)*	**Δ%**
Pulp production	48	52	8.3
Paper and board production	2 748	2 761	0.5
- Graphic papers	946	924	-2.3
- Packaging grades	1 681	1 713	1.9
- Hygiene	121	124	2.5
P & B Exports	2 484	2 746	10.6
P & B Imports	2 860	3 198	11.8
P & B Consumption	3 125	3 213	2.8

	2012 (6 months) *(in KT)*	**2013 (6 months)** *(in KT)*	**Δ%**
Pulp production	n.a.	n.a.	n.a.
Paper and board production	1 389	1 380	-0.6
- Graphic papers	470	448	-4.7
- Packaging grades	857	871	1.6
- Hygiene	62	61	-1.6

Source : CEPI

COUNTRY : PORTUGAL

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 Portugal :

Key figures

	2011 (12 months) *(in KT)*	**2012 (12 months)** *(in KT)*	**Δ%**
Pulp production	2 450	2 489	1.6
Paper and board production	2 098	2 111	0.6
- Graphic papers	1 530	1 531	0.1
- Packaging grades	454	462	1.8
- Hygiene	112	103	-8.1
P & B Exports	1 850	1 861	0.6
P & B Imports	849	856	0.8
P & B Consumption	1 096	1 106	0.9

	2012 (6 months) *(in KT)*	2013 (6 months) *(in KT)*	Δ%
Pulp production	1 236	1 318	6.6
Paper and board production	983	989	0.6
- Graphic papers	703	731	4.0
- Packaging grades	235	214	-8.9
- Hygiene	n.a.	n.a.	n.a.

Source : CEPI

COUNTRY : SPAIN

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 Spain :

Evolution of the Spanish Paper and Pulp markets (January-June 2013)

The total paper production between January and June was very similar in 2012 and 2013. In 2013 3.116.600 t of paper was produced in Spain, only 1.400 t less than over the same period of 2012 . However there has not been an homogeneous behavior, Corrugated Papers increase (3.3%) balanced the fall in the rest of paper grades. Regarding foreign trade , the export of paper grows over the first half of 2012 by 1.6 % , (1.528.200 t) . As for imports , 1.476.900 t, decreased by 4.2 % over the first half of 2012 . Apparent consumption , 3.065.300 t, maintains a moderately negative behavior with a decrease of 2.9 % over the same period last year.

Pulp production in the first six months of 2013 was 979 600 t , 1.5% more than in the same period of 2012. In the first half the cumulative market pulp production also exceeds last year with a total of 664 500 t , representing growth of 2.4 % over the previous year's data and increased 15,400 t. Exports in the first half of 2013 was 578,700 t, experiencing a growth of 4 % . Something similar happens with the import , which maintains the upward line in 2012 , reaching a total of 533,000 t , which implies an increase of 2.1 % . As a result , pulp consumption was 933 800 t, very similar to the first half of 2012 although slightly above this (0.3 %) .

Recovered paper consumption , 2.583.200 t, has grown by 1.3 % during the first six months of 2013. A 20.7% drop was experienced by the exports. 92% of this decline corresponds to lower sales to China and the Netherlands . Imports , however , increased by 10.4%. Apparent Collecting down 4.8 % to 2.173.900 t . The collection rate , (ratio of Recovery paper apparent consumption over New paper consumption) down 1.5 points from 72.4 % to 70.9%.

Costs

Energy cost has increased dramatically for the industry as a result of the new energy tax imposed to

1. Electricity production (+7%),

2. Gas consumption (with differentiated levels depending on use).

Labour agreements have managed to keep cost on the same level than previous year.

Profitability,

Profitability has decreased in most of the sectors as the above mentioned increase in energy cost has not been passed to price.

New investments

Investments have, for one more year, been reduced below usual levels for the sector. Only one PM (speciallyty papers) under construction.

Closures

Due to financial difficulties, the Paper sector in Spain has lost since the end of 2012 three tissue paper producing midsize mills with a combined capacity of approximately 85,000 tons per year.

Key figures

	2011 (12 months) *(in KT)*	**2012 (12 months)** *(in KT)*	**Δ%**
Pulp production	1 976	1 981	0.2%
Paper and board production	6 203	6 177	-0,4%
- Graphic papers	1 582	1 545	-2,3%
- Packaging grades	3 221	3 197	-0,8%
- Hygiene	734	732	-0,3%
P & B Exports	2 955	2 957	0,1%
P & B Imports	3 180	2 938	-7,6%
P & B Consumption	6 428	6 158	-4,2%

	2012 (6 months) *(in KT)*	**2013 (6 months)** *(in KT)*	**Δ%**
Pulp production	965	979	1.5
Paper and board production	3 118	3 117	0.0
- Graphic papers	783	769	-1.8
- Packaging grades	1 612	1 655	2.7
- Hygiene	373	349	-6.4

Source : CEPI

COUNTRY : UNITED KINGDOM

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 UK :

UK General situation

Domestic production has remained relatively stable during the recession, with declining consumption damaging imports rather than domestic production.

Only one (relatively small packaging) UK mill closed in 2012, or 2013 to date, though two very small mills and a partial closure are in progress (two specialist, one fine paper.) This lack of closures is likely the result of early UK consolidation (2008 saw a large number of closures) and the small number of UK producers of print & graphic grades where overall consumption continues a steep decline.

Packaging continues to be especially dynamic, with the new Saica Manchester Mill officially being officially opened, and Smurfit Kappa closing their Townsend Hook Mill to replace two machines with one larger machine to produce lightweight packaging papers. The SK investment means all three main domestic producers of recycled packaging papers will have made major investment in the last few years.

In the tissue sector SCA has now divested those Georgia Pacific facilities required under competition rules, with the Bridgend Mill being sold to a new venture Northwood/WEPA and Sofidel acquiring additional conversion facilities together with associated brands.

Elsewhere two biomass CHP projects are nearing completion, with the unit at Iggesund now commissioned and the unit at Tullis Russell due to be commissioned – a number of other developments are under discussion, partly driven by the expectation of higher fossil fuel costs driven (in part) by Government policy.

Government has agreed a compensation package for the indirect impact of EU ETS on electricity costs, and intends to also offer support to offset the cost impact of the (UK only) Carbon Price Floor – however the second of these proposals is delayed by State Aid Approval. Most UK Paper Mills are likely to secure support through this compensation.

Recycling tonnage collections are slightly down - a reflection of the lower amounts available in the waste stream. The 'Green Fence' policy in China is making it more difficult to export lower grade materials, putting some pressure on the supply chain and a drive for higher quality. Domestic recycling infrastructure has been helped by new plant to recycle food and drink cartons at the Sonoco Mill, and new plant to recycle paper cups at the James Cropper Mill.

Key figures

	2011 (12 months) *(in KT)*	**2012 (12 months)** *(in KT)*	**Δ%**
Pulp production	n.a.	n.a.	n.a.
Paper and board production	4 342	4 416	1.7
- Graphic papers	1 669	1 616	-3.2
- Packaging grades	1 600	1 734	8.4
- Hygiene	766	786	2.6
P & B Exports	974	1 143	17.4
P & B Imports	6 511	6 120	-6.0
P & B Consumption	9 880	9 392	-4.9

	2012 (6 months) *(in KT)*	**2013 (6 months)** *(in KT)*	**Δ%**
Pulp production	n.a.	n.a.	n.a.
Paper and board production	2 202	2 316	5.2
- Graphic papers	803	811	1.0
- Packaging grades	848	967	14
- Hygiene	395	397	0.5

Source : CEPI