UTIPULP GENERAL MEETING

Manchester – April 21st, 2017

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:

KEY FIGURES

In 1000 tonnes	2015	2016	∆%
Pulp production	1812	2116	16,8%
Paper and board production	4.964	4.995	0,6%
- Graphic papers	2.732	2.739	0,3%
- Packaging grades	1.921	1.942	1,1%
- Specialties	311	314	0,6%

KEY POINTS OF THE PULP AND PAPER INDUSTRY

Comment

- Generally speaking the paper situation in Austria is good,
  though PM 3 of UPM Steyrermühl was shut down two weeks ago
- Pulp production was increasing, catching up from production halts in 2015.
- The largest investment currently running in Austria are
  a new H&P generator for Mayr-Melnhof in Frohnleiten (50m €)
  rebuild of PM 10 in Laakirchen, to make RCCM in the future (100m €)
  pulp extension in Lenzing (50m €)
  Sappi Gratkorn connected to Graz regional heating (20m €)
- The competition for wood continues, with pulp mills (cascade) on the one side, and energy (direct combustion) on the other. Austropapier is calling for a redesigned Austrian Eco energy act, which regulates funding for biomass burners. Novella of the legal act is scheduled for later this year.

COUNTRY: BELGIQUE

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 Belgium:

Key figures

	2015 (12 months) *(in KT)*	2016 (12 months) *(in KT)*	Δ%
Pulp production	492		
Paper and board production	2 121	2 077	-2.1
- Graphic papers	1 511	1 484	-1.8
- Packaging grades	502		
- Hygiene + others	106		

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:

Key figures

	2015 (12 months) *(in KT)*	2016 (12 months) *(in KT)*	Δ%
Pulp production	1 725	1 720	-0.3
Paper and board production	7 986	7 984	-0.0
- Graphic papers	2 347	2 258	-3.8
- Packaging grades	4 383	4 439	+1.3
- Hygiene	833	846	+1.6

Comments:

- From January 1 2017, the ban of plastic bags has been extended to include single-use, non-compostable plastic bags thinner than 50 microns used for packing of goods, as well as non-biodegradable, non-compostable blister packs.
- The extended producer responsibility (EPR) scheme for paper “Ecofolio” accreditation has been renewed for the period 2017 – 2022. The EPR scheme for packaging is expected to be accredited for the period 2018 – 2022 in the coming weeks; several operators should get accreditated (Eco-Emballages; Adelphe & Leko). Eco-Emballages & Ecofolio are in a merger process which should be completed during the summer.

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 :

Key figures

	2015 (12 months) *(in KT)*	2016 (12 months) *(in KT)*	∆%
Pulp production	2.554	2.485	-2,7
Paper and board production	**22.601**	**22.630**	**0,1**
- Graphic papers	8.613	8.360	-2,9
- Packaging grades	11.191	11.386	1,7
- Hygiene	1.458	1.507	3,4

The Paper Market

The German pulp and paper industry was able to report slightly positive quantitative developments in 2016 com-pared with the previous year. In Germany, the annual output of paper and board rose 0.1 percent to 22.6 million tonnes.

Capacities grew 0.9 percent in 2016 year-on-year. In con-junction with the slight increase in output, this led to lower utilization of the paper machines. Utilization dropped to an average of 93 percent in 2016. In a worldwide comparison, the German paper industry re-mains number four after China, the US and Japan, and is number one in Europe.

The subdued developments in foreign trade in the over-all economy were also reflected in Germany's paper industry. Foreign sales, for instance, dipped 1.5 percent in 2016 compared with the previous year. Domestic sales increased slightly in 2016 (+0.9 percent). Apparent consumption evolved along relatively constant lines in Germany in 2016 (-0.2 percent), so that it stood at 20.5 million tonnes. Imports fell 0.5 percent to 11.3 million tonnes. The import rate sank marginally to 54.8 percent in 2016.

Developments in the German paper industry showed considerable variation between grades.

- The share of packaging papers in output rose 50.3 percent in 2016, so that it constitutes the biggest segment in Germany's paper industry. For some years now, output has been increasing. A total of 11.4 million tonnes, for instance, was produced in the packaging-paper area in 2016, equivalent to a rise of 1.7 percent compared with the previous year.

- Graphic papers, with a 36.9-percent share in paper output, making it the second-biggest product group, continued their adverse developments. The output volume fell 2.9 percent in 2016 compared with the previous year. The main cause can be found in the ongoing changes in consumers' use of media.

- Technical and special papers, which account for a 6.1 per-cent share and comprise a multitude of different products, were able – after serious erosion in the 2009 crisis year and an output plus of 15.6 percent in 2010 – to maintain a high output level in recent years. In 2016, output in this area rose 2.8 percent.

- Hygiene papers have a share of 6.7 percent in overall output. Under value-add aspects, however, the significance of this market segment is infinitely greater, since all companies in this group have integrated a processing stage. Machine output in 2016 rose 3.4 percent to 1.5 million tonnes.

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

Key figures

1.000 Tons	2015	2016	2016/2015 %
Pulp Production (woodpulp) - 12 months	**397**	**392**	**-1,1**
Paper and Board Production - 12 months	**8.955**	**8.888**	**-0,7**
-Graphic papers	2.692	2.593	-3,7
-Packaging grades	4.334	4.374	0,9
-Household and sanitary papers	1.490	1.481	-0,7
-Others	439	441	0,3
Paper and Board Export - 12 months	**3.936**	**3.940**	**0,1**
Paper and Board Import - 12 months	**5.050**	**5.136**	**1,7**
Paper and Board Consumption - 12 months	**10.070**	**10.084**	**0,1**

National Institute of Statistics (ISTAT) official figures processed by Assocarta

Turnover 2016: 7 billion €, -1,3% respect to 2015

Paper markets and Costs

- **P&W** -overall good demand levels during 1st quarter of the current April too. The awakening in demand is viewable at global level;
- **Specialty papers** – good demand levels in general during 1st part of this year;
- **Tissue** - good demand and activity in 1st part of the year in Italy and Europe in general. Economic situation is still good but many concerns about possible impacts of new capacities start-up in Europe;
- As for **pulp costs,** after the favorable trend in 2016, many concerns for scarce availability and consequent rising costs in this part of the year;
- **Rising prices for other raw materials**: expecially latex but also starches and soda;
- On **energy costs** side, on Jan-March 2017 *Electricity market prices* were much higher than the same period 2016 (+20/+25 €/MW), due to French shortage of electricity for maintenance of many nuclear power plants. Prices are now decreasing but they remain still higher than 2016 (+10 €/MWh). *Gas Prices* increased too in first period of the year, due to the cold season. More recently they are decreasing, but they remain over 2016 levels -on last March : -14% respect to Feb2017 ; +27% respect to March 2016-.

Main issues that the Industry is dealing with

- **MES to China and TDIs modernization** – Great attention of Assocarta and her members for the evolution of these two issues which could impact very heavy on the competitiveness of European Paper Industry
- **Coated Fine Paper** -anti-dumping/anti-subsidy duties against import from China – European request of expiry review was accepted by EU Commission on last May, so measures will remain in force until EU Commission will take a decision (by next August at least). Assocarta is strongly supporting this case at Italian and European Authorities level.
- **Energy** – Regarding national tariff legislation, some relevant news interested Italy, starting from 2017. Parafiscal components, previously applied to consumption of electricity, included self consumption, are now (since January 1st 2017) applied only to electricity delivered from the grid. No more imposition on self consumption. 5% of RES tariffs applied to self consumption was removed too.

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

	2015 (12 months) *(in KT)*	**2016 (12 months)** *(in KT)*	**∆%**
Pulp production	-	-	
Paper and board production	2643	2671	+1%
- Graphic papers	744	725	3%
- Packaging grades	1786	1834	+3%
- Hygiene	113	112	-1%

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

	2015 (12 months) *(in KT)*	**2016 (12 months)** *(in KT)*	**∆%**
Pulp production	2660	2694	+1.28%
Paper and board production	2160	2191	+1.44%
- Graphic papers	1514	1588	+4.89%
- Packaging grades	470	484	+2.98%
- Hygiene	105	119	+13.33%

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 :

Key figures

	2015 (12 months) *(in KT)*	2016 (12 months) *(in KT)*	Δ%
Pulp production	n/a	n/a	
Paper and board production	3969.9	3675.6	-7.4
- Graphic papers	1053.2	897.0	-14.8
- Packaging grades	1893.6	1800.2	-4.9
- Hygiene	772.0	728.0	-5.7

Comments

No substantial changes early in 2017 – it seems likely that most companies are awaiting more clarity on the situation post-Brexit, with trade issues looking likely to be more complex as the UK leaves the single market and the customs area.
No major changes in production levels in Q1 2017, with no substantial closures or new investments. For recycling mills production at Smurfit Kappa (in SW England) has ramped-up following a major investment program, while SCA has announced the closure of one machine and the re-opening on a mothball unit. The small SCA mill at Chesterfield (English Midlands) has been sold to a separate company.