

UTIPULP GENERAL MEETING
Barcelona – September 14th, 2018

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	HY 2017	HY 2018	Δ%
Pulp production	1060	1040	-1,9%
Paper and board production	2480	2530	1,9
- Graphic papers	1340	1210	-9,4
- Packaging grades	990	1160	16,8
- Specialties	150	160	4,1

KEY POINTS OF THE PULP AND PAPER INDUSTRY

Comment

- The paper situation in Austria is good, prices and turnover are up.
- Graphic volumes went down due to shutdown of PM3 at Steyrermühl and because of grade switch on PM10 at Laakirchen. On the other hand, packaging grades do particularly well, plus extra container board from Heintel's PM10.
- The switch also influenced the national fibre furnish, bringing TMP down and changing to more PfR
- Large investment in Austria currently:
pulp extension in [Lenzing](#)
rebuild of hydro power station on river Traun for [Laakirchen](#)
New hubs for district heating: [Sappi](#) Gratkorn connected to Graz, [Norske Skog](#) connected to Bruck
- Announcements for 2019 and beyond are:
new PM 3 for [Zellstoff Pöls](#), making additional 100.000 tonnes of kraft paper
major improvement for PM9 at Gratkorn, [Sappi](#)
dissolving pulp extension in Hallein, [AustroCel](#)

- 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. It also lobbys the conservative/right government in connection with the new Austrian Climate and Energy Strategy (IKES) which was presented in April.
After a very hot summer Austrian forests currently deliver extra volumes of wood from beetle calamities.

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

	2017 (6 months) (in KT)	2018 (6 months) (in KT)	□%
Pulp production	882.5	773.4	-12.4
Paper and board production	4 027.2	3 977.7	-1.2
- Graphic papers	1 124.2	1 088.3	-3.2
- Packaging grades	2 260.6	2 234.3	-1.2
- Hygiene	414.9	422.4	1.8

General Comments:

- Production of paper and board were down of -1.2 % during the first half of 2018.
- Pulp production were down of -12.4 % during the first half of the year due to some technical upgrades stops (Smurfit Kappa) and several other technical stoppages.

Regarding Companies:

- Sequana is preparing its exit from paper manufacturing. The company announced in July 2018 that it entered into exclusive negotiations for the sale of Arjowiggins Graphic and Arjowiggins Creative Papers with Fineska, the parent company of Eska group, the Netherlands-based graphic board business controlled by Andlinger & Company, a private investment group which also owns the Dutch specialty paper manufacturer Crown Van Gelder. The transaction is expected to close by the end of October.
- Group CVB Ecologistics has acquired the assets and activities of Papeterie de Raon, a paper mill in Raon L'Etape, France. The mill in Raon, established in 1880, has stopped production in March of this year after it went into receivership.
- Lebanese industrial group Gemayel and Chaoui acquired the white-top testliner producer NorPaper from private equity firm OpenGate Capital. The transaction includes both the NorPaper Avot-Vallée and the NorPaper Nantes mills.
- The French sanitary products specialist Global Hygiène is about to turn Arjowiggins' former Charavines site into a tissue production facility with an annual capacity of 30 000 t. Production is scheduled to start up by the end of 2020.

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

	2017 (6 months) (in KT)	2018 (6 months) (in KT)	Δ%
Pulp production	1,225	1,176	-4.0
Paper and board production	11,432	11,385	-0.4
- Graphic papers	4,109	3,882	-5.5
- Packaging grades	5,837	6,009	+3.0
- Hygiene	0,751	0,752	+0.1

The Paper Market in Germany

The German pulp and paper industry started in the first 6 month of 2018 with a lower production as last year. The volume of production declined by 47,000 tons (-0,4 %) to a total production of 11.385 Mio. tons from January to June 2018. The total volume of sales declined by 0.3 %.

The development in the different category groups goes on. On the one hand the positive development in the packaging sector (5.8 million tons, +3.0 %), Technical paper and specialties (0,7 million tons, +1.0 %) and hygiene paper (0,7 million tons, +0,1 %) continued. On the other hand the graphic sector declined by -5,5 % to 4.1 million tons.

The turnover of the German pulp and paper industry raised up 7,2 % to an overall turnover of 7.7 billion Euro.

Capacity 2018-2021

2018					overall result: 454.000
2 Rebuilds					554.000
Graphic paper					-150.000
September	UPM	Dörpen	Germany	CWF	-150.000
Packaging					694.000
Januar	Mayr-Melnhof	Gernsbach	Germany	Carton Board	100.000
April	Leipa	Schwedt Nord	Germany	Testliner, White	450.000
Juli	Scheufelen	Lenningen	Germany	Folding Boxboard	34.000
Dezember	UPM	Dörpen	Germany	Flexible packaging	110.000
Other Paper					10.000
Dezember	Metsä Tissue	Düren	Germany	Baking and cooking	10.000
4 Shut					-100.000
Graphic paper					-100.000
April	Scheufelen	Lenningen	Germany	CWF	-100.000
2019					overall result: 120.000
1 Startup					120.000
Packaging					120.000
Juni	August Koehler	Kehl	Germany	Flexible packaging	120.000
2 Rebuilds					
Graphic paper					
Dezember	UPM	Dörpen	Germany	UWF	
2020					overall result: 1.350.000
1 Startup					1.250.000
Packaging					1.250.000
Juni	Hamburger	Spremberg	Germany	Testliner, White	500.000
Dezember	ProGroup	Bitterfeld	Germany	Recycled	750.000
2 Rebuilds					100.000
Pulp					100.000
Januar	Kabel Premium Pulp & Paper	Hagen	Germany	Holzstoff (CMP,	100.000
2021					overall result: 60.000
2 Rebuilds					60.000
Pulp					60.000
Dezember	Zellstoff Stendal	Stendal	Germany	BHKP Bleached	60.000

Landgroup Europe enthält folgende Länder:

Albanien, Andorra, Belgien, Bosnien - Herzegowina, Bulgarien, Ceuta, Ceuta und Melilla, Dänemark, Deutschland, Estland, Färöer, Finnland, Frankreich, Gibraltar, Griechenland, Großbritannien, Insel Man, Irland, Island, Italien, Kanarische Inseln, Kosovo, Kroatien, Lettland, Lichtenstein, Litauen, Luxemburg, Malta, Mazedonien, Melilla, Moldau, Monaco, Montenegro, Niederlande, Norwegen, Österreich, Polen, Portugal, Rumänien, Rußland, San Marino, Schweden, Schweiz, Serbien, Slowakei, Slowenien, Spanien, Svalbard, Tschechische Republik, Türkei, Ukraine, Ungarn, Vatikanstadt, Weißrußland, Zypern

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

	2017	2018	2018/2017 %
Paper & Board -KT			
Pulp Production - 6 months	198	187	-5,7
Paper and Board Production - 6 months	4.629	4.720	2,0
-Graphic papers	1.330	1.311	-1,5
-Packaging grades	2.296	2.376	3,5
-Hygiene	779	800	2,7
-Others	224	233	4,1
Paper and Board Export - 5 months	1.710	1.672	-2,2
Paper and Board Import - 5 months	2.236	2.363	5,7
Paper and Board Consumption - 5 months	4.363	4.605	5,5

Elaborazioni Assocarta su dati ISTAT

Paper markets and Costs

- **P&W and Specialty papers** – after a very positive 1st half of the year, demand presented a slowdown on July and August mainly for CWF and CM. Very good situation for UC demand.
- **Tissue** - As for jumbo, surplus is producing prices drop. Overcapacity situation for finished products too, but demand is good in this moment and prices present limited changes. Profitability remains the main issue.
- **Pulp costs** – Recent prices stability on very high levels confirms balanced markets. As for hardwood, new capacities now fully implemented could lead to a more favorable situation for paper companies.
- **Energy costs** - Electricity prices are still increasing. National electricity price was in July 25% higher than 2017 (yearly base). New increases on August due to high temperature and temporary shutdown of some nuclear power plants in France. Same situation for gas, due to same factors. Gas price in July was 38% higher in July 2017. Increases were registered at EU level too.

Main issues that the Industry is dealing with

- **Energy** – As for national legislation on energy intensive industries, a new system to reduce RES (renewable energy sources) tariff is now in place and working good: so, Italian paper industry is finally aligned to other EU competitors. Regarding RES tariff reduction on gas, a preliminary verification with DG Competition is actually in course. As for wholesale gas market, capacity restriction (September 2017 to September 2020) on TENP (pipeline that transport gas from TTF hub across Germany to Swiss border) is producing rising wholesale price and a growing difference between Italian gas price and the European one.

- **Ecolabel** - During the revision of the Ecolabel for graphic and tissue paper few Member States and the Paper industry highlighted the opportunity to set up a system for qualifying pulps that can be used for Ecolabel paper products to reduce the workload by each single operator applying for Ecolabel. Assocarta consider this system interesting as it would produce cost saving for both paper mills and pulp suppliers. Utipulp could play a central role in developing the system when the new Ecolabel criteria will be published (expected before the end of the year).
- **FSC** – the review of the Controlled Wood System in FSC is a relevant issue that could affect the availability of pulp suitable for producing certified paper in the next future. The Certification Network of CEPI, as well as Assocarta and other National associations, are following this issue and, after the workshop in July, are now preparing the answer to the public consultation opened by FSC and having a deadline of September 17th.

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

	2017 (6 months) (in KT)	2018 (6 months) (in KT)	Δ%
Pulp production	n.a.	n.a.	
Paper and board production	1469	1494	+2%
- Graphic papers	346	337	-2%
- Packaging grades	1068	1102	+3%
- Hygiene	55	55	0%

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:

Key figures

	2017 (6 months) (in KT)	2018 (6 months) (in KT)	Δ%
Pulp production	827,5	827,4	0,0%
Paper and board production	3.063,4	3.178,2	-3,6%
- Graphic papers	527,3	660,7	-20,2%
- Packaging grades	2.194,8	2.154,1	1,9%
- Hygiene	341,2	363,4	-6,1%

Economic situation

- Spain GDP growth 2,7% in 2T (-0,3 in comparison to 1T)
- Unemployment still high but decreasing. July: 15,1% (2017: 16,5%; 2016:18,5%)

Industry Developments

- Under start up the conversion of the recycling newsprint capacity to containerboard (previously Holmen Paper now under IP ownership). Aprox. 400.000 tn.
- New virgin tissue PM by Goma-Camps started up in March 2018.
- EUROPAC acquisition by DS Smith
- SONOCO acquisition of 100% shares of CONITEX / Papertech, coreboard producer.
- Reno de Medici acquisition of Barcelona Cartonboard, Spain's leading board producer
- The spanish paper industry will invest more than € 1,400 Millions in innovation and technological renovation during the period 2015-2018.

Regulatory affairs

- New Government in place after unexpected Parliamentary motion
- Debate on the future of energy continues in the context of Climate Change commitments. New Law to be proposed. Strong push to renewables.

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

	2017 (6 months) (in KT)	2018 (6 months) (in KT)	Δ%
Pulp production	n/a	n/a	
Paper and board production	1,905.6	1,931.3	+1.4
- Graphic papers	433.9	467.0	+7.6
- Packaging grades	963.1	951.8	-1.2
- Hygiene	374.9	364.2	-2.9

Key Developments

- Essity Tawd now recommissioned (tissue)
- Overton & Bathford mills separated from De La Rue into a new company (security papers/bank notes)
- Palm Newsprint has commissioned a new gas CHP
- Ahlstrom-Munksjo is expanding operations at Chirnside with the installation of a new production line:
<https://www.ahlstrom-munksjo.com/Media/releases/press-releases2/2018/ahlstrom-munksjo-strengthens-its-market-position-in-the-tea-and-coffee-filter-market-by-investing-eur-28-million-in-its-beverage--casing-business/>

Otherwise most investment operations are on hold until the implications of Brexit become clear.