

Market Update

Facilitating informed decisions

What's Changed Recently?

Corrugated waste prices have jumped upward further due to the Japanese earthquake

UK Testliner prices are rising a further £35/tonne

Completion of the £60/tonne price rise for white top Kraft

Starch prices rose again in April

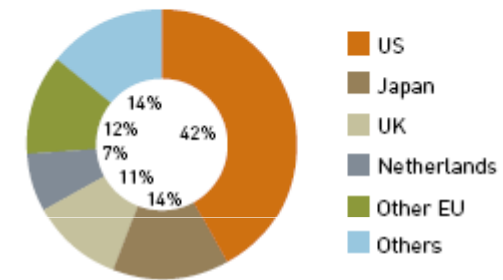
Energy costs to business are up again in April

Factory input inflation running at 17.6% in April

Impact of the Japanese Earthquake

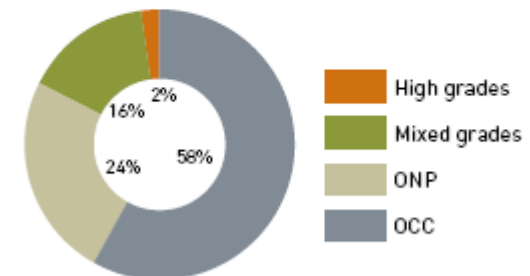
- Japan supplies 14% of China's recovered paper
- Much of which is now unavailable
- Hence Chinese buyers have turned to Europe and North America to make up the shortfall

Graph 3: Chinese imports of recovered paper by country of origin



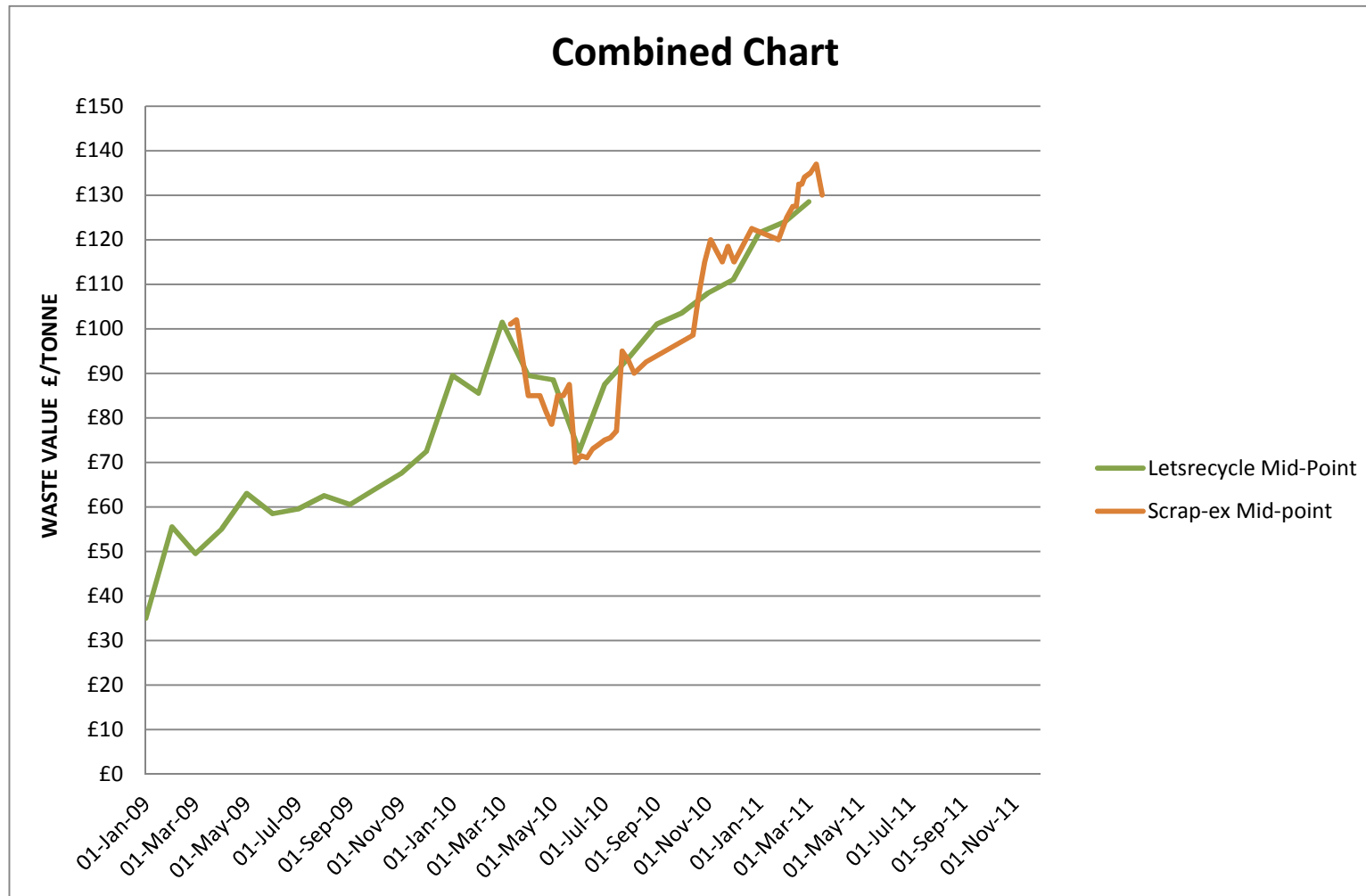
Source: China Customs, Business and Trade Statistics

Graph 4: Chinese imports of recovered paper by grade



Source: China Customs, Business and Trade Statistics

Corrugated Waste Prices Continue Rising

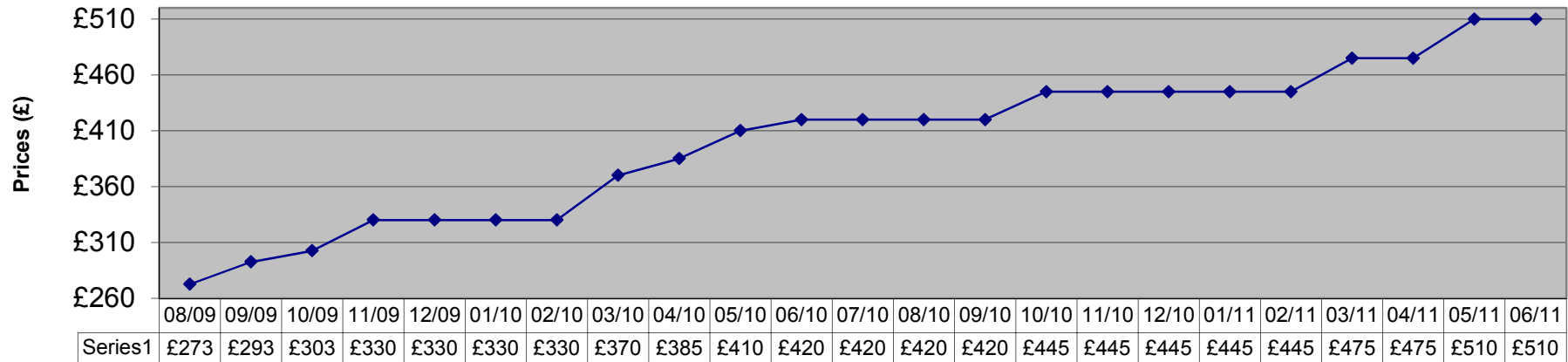


Paper Prices Move Up Again

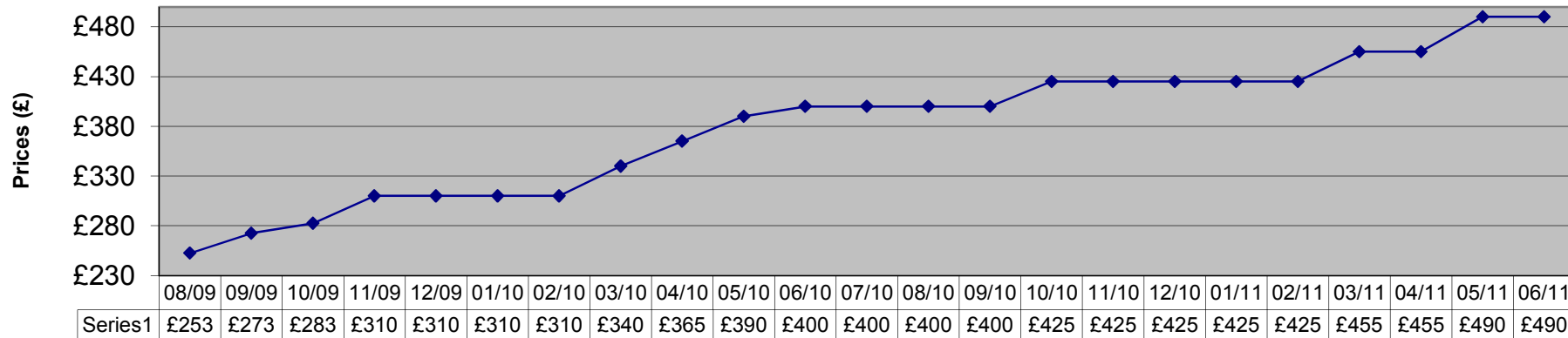
- Completion of the £60/tonne price rise that was sought for white top Kraft liner increase in May
- Testliners up £35/tonne in late May
 - St Regis, Mondi, SCA, Smurfit Kappa and Palm have already announced
- An increase of £35/tonne on Kraft has just been announced
 - Effective mid-June

Paper Price Dashboard

Monthly Prices - Test 2



Monthly Prices - Test 3



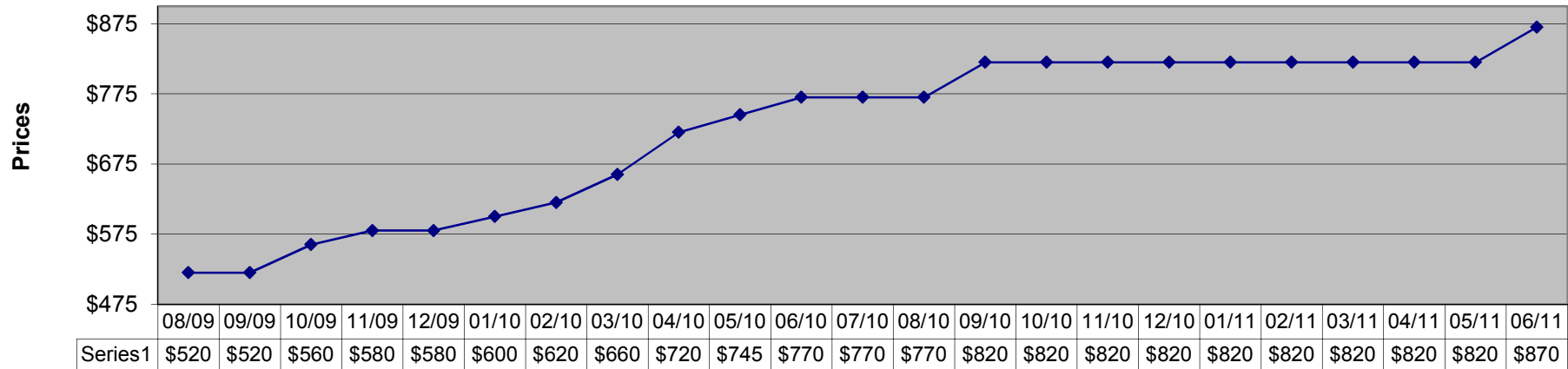
Months



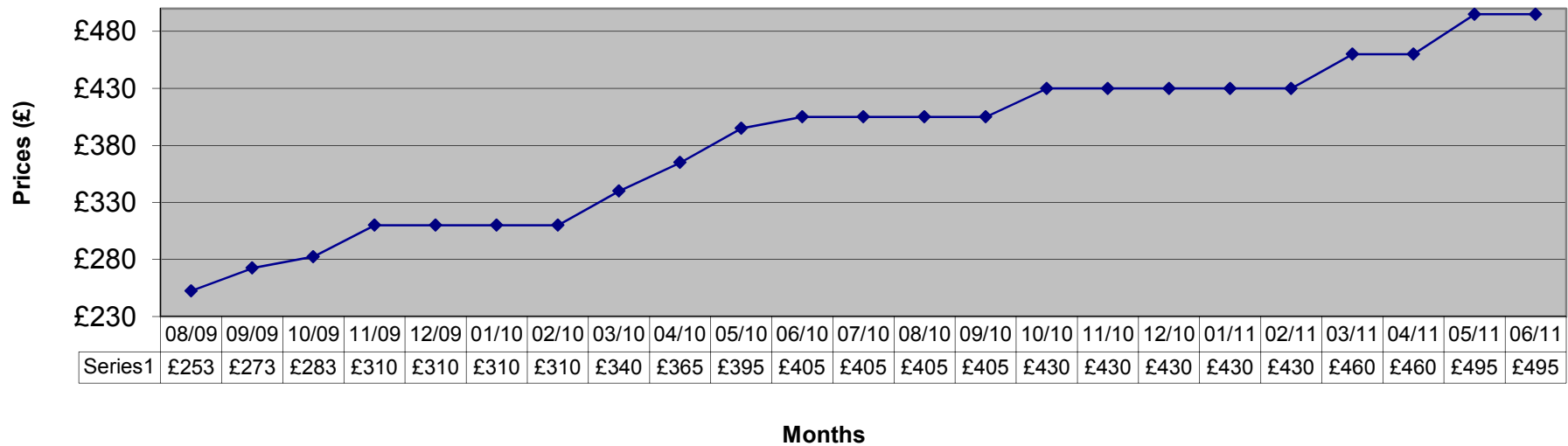
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Paper Price Dashboard

Monthly Prices - Kraftliner



Monthly Prices - W/B Fluting



Counting the Typical Additional Cost

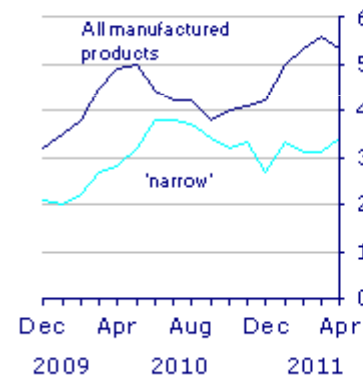
Type	Average tonnes recycled	Total Tonnes
Sheet feeder	80,000	100,000
Integrated box plant	40,000	50,000
Sheet plant	8,000	10,000

Type	Additional recycled liner cost	Total Additional Cost
Sheet feeder	£2,800,000	£2,800,000
Integrated box plant	£1,400,000	£1,400,000
Sheet plant	£280,000	£280,000

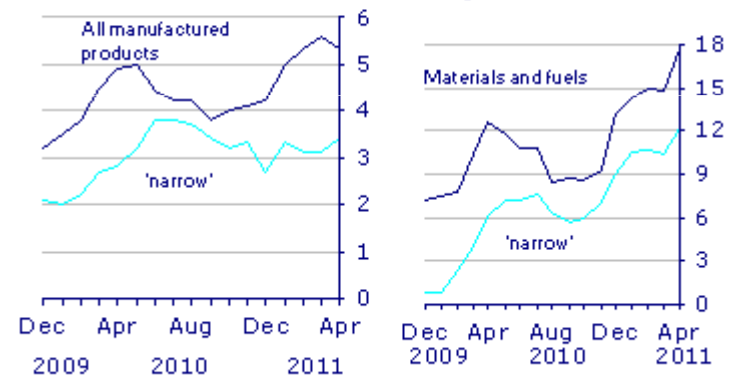
Factory Input Inflation Running at 17.6%

- Output price 'factory gate' annual inflation for all manufactured products rose 5.3% in April 2011
- Input price annual inflation rose 17.6% in April, compared with a rise of 14.8% in the year to March

Output prices (what manufacturers sell)
12 months percentage change



Input prices (materials & fuels manufacturers buy)
12 months percentage change



Source: National Office of Statistics

Summary

- Corrugated waste prices have jumped upward further due to the Japanese earthquake
- UK Testliner prices are rising a further £35/tonne
- UK White top Kraft liner prices have completed their £60-65/tonne rise
- Brown Kraft is rising £35/tonne from mid-June
- Starch prices rose again in April
- Energy costs to business are up significantly since April
- Factory input inflation still running at 17.6%
- **Hence sheet and box prices have to rise if the industry is to remain viable**

Supporting Information

Press Clippings and Copy Price
Rise Letters

M-real Press Release

From: Abbie Carter <Abbie.Carter@PortfolioComms.com>
To: Sheila Gimson
Cc:
Subject: M-real to increase prices for white-top kraftliner in Europe

Sent: Tue 15/02/2011 14:10

M-real to increase prices for white-top kraftliner in Europe

M-real is raising the prices of all Kemiart white-top kraftliner grades by € 50/t (GBP 45/t) in Europe, effective for deliveries as of 15 April 2011. The increase is a result of the continuous rise in production input costs and logistic costs.

For further information please contact M-real Consumer Packaging:

Risto Auero, Vice President, Sales Linerboards & Wallpaper Base

Mobile +358 (0)50 598 8828

E-mail: risto.auero(at)m-real.com

M-real in brief:

M-real is Europe's leading primary fibre paperboard producer and a major paper supplier. The company's customers include brand owners, carton printers, converters, publishers, printing houses, merchants and office suppliers.

M-real supports its customers' businesses by providing high-performance paperboards and quality papers for consumer packaging, communications and advertising end-uses.

Together with its customers and partners, M-real develops products and services for demanding end uses. The company's paperboard is mainly used for the packaging of beauty care and healthcare products, foods, cigarettes, and consumer durables as well as graphics. Paper is mainly used for office papers as well as wallcoverings and other speciality end uses.



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Powerful aftershock in Japan results in temporary closure of Nippon Paper mills

A powerful aftershock in Japan in early April, whose epicentre was too close for comfort to March's catastrophic 9.0 earthquake, has taken some of the paper mills for Nippon Paper Group (NPG) offline. Thankfully, the quake was not followed by the same devastating tsunami that caused so much damage last time and much of the damage caused by the quake was limited. NPG confirmed that workers at its Daishowa Paperboard mill in the Akita region and its Kitakami Paper mill in the Iwate prefecture were both forced to stop production due to a disruption to their power supplies.

However, their electricity has since gradually been restored, and the mills are expected to come back online shortly.

The Daishowa mill's capacity is around 714,000 tonnes pa of virgin and deinked pulp. Following the first major quake, the mills managed to get up and running again within a fortnight.

Elsewhere, some machines at NPG's Asahikawa mill in Hokkaido prefecture (which can manufacture 267,000 tonnes pa of deinked and Kraft pulp) also had to briefly stop production due to power shortages. Two other NPG mills, Iwanuma and Ishinomaki, both in Miyagi prefecture, are still both shut temporarily due to the effects of the March earthquake and tsunami.

No deadline has as yet been announced for the restart of the Ishinomaki mill, where the damage was extensive, but the company has committed to restarting eventually.

Know It All Newsletter May 2011



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Smurfit Kappa sees further price rises as margins improve

Josh Brooks, 6 May 2011

Smurfit Kappa has predicted that prices will continue to rise in the year to come as it posted big increases in both revenue and profits for the start of 2011.

In its first-quarter results statement this morning, the corrugated giant's chief executive Gary McGann said that two recycled containerboard price rises so far this year would force the company to continue pushing its prices up this year.

Sales for the quarter rose 18% year-on-year to reach €1.8bn (£1.6bn), while EBITDA profits were up 32% at €243m. Smurfit Kappa's EBITDA margin rose to 13.5% from 12.0% in the same period last year.

McGann said that Smurfit Kappa had seen "good demand growth" in the quarter, while price recovery in its end markets "continued to be achieved at a satisfactory level".

"However, the increase in raw materials, energy and other costs has proven sharper and more sustained than previously expected, thereby causing some near-term margin pressure.

"This resulted in two additional recycled containerboard price increases being implemented to date in 2011, which will require continued corrugated price recovery in the remainder of the year."

He said that moving into the second quarter, "while demand remains good, input costs have risen further, which if sustained will require additional price increases".

He said that the continued price increases would help the group improve profits again and also pay down more of its €3.1bn debt. Smurfit Kappa paid off €49m of its net debt in the last quarter.



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Saica to increase containerboard prices by Euro 50/tonne in Europe, effective May 16

ZARAGOZA, Spain, May 10, 2011 (Press Release) - Saica has unveiled plans to increase prices for all its recycled containerboard grades in Spain and Portugal as well as in the rest of Europe in the previous months.

Related stories:

- ▶ [Austria's Hamburger Group to seek price hikes for recycled containerboard in May - April 21, 2011](#)
- ▶ [SCA Containerboard to increase prices of all recycled grades by Euro 50/ton in Europe effective April 1 - March 21, 2011](#)
- ▶ [Hamburger to curtail recycled containerboard production in April, raise prices - March 21, 2011](#)

The company has communicated to all customers in Spain and Portugal that an increase of 50 €/t will be implemented starting the 16th of May.

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Price Increase Letters

Redacted to protect the innocent!

St. Regis Paper Company Ltd
Head Office
Kensley Mill
Gillingbourne
Kent
ME10 2TD

ST REGIS

26th April 2011



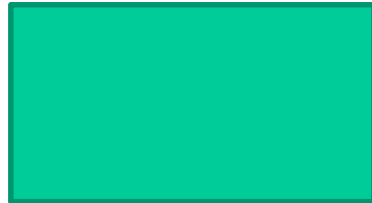
As you are no doubt aware, in recent months we have seen further increases in the cost of recovered fibre and other papermaking input costs. To date we have absorbed these increases in the hope that this inflationary pressure would subside in the short term. In fact, rather than reduce, we have seen costs move higher and we now have no alternative but to pass these on in our finished product pricing.

St Regis will increase prices on all your CCM grades for deliveries from Monday 23rd May 2011, as shown on your attached price schedule.

I hope that you understand the reasons for our decision, and would like to thank you for your understanding, your co-operation and your continued support.

Yours sincerely

Nick Britton
Sales and Marketing Director



28th April 2011



We have now had confirmed that there will be further raw material price increases applied as from May 2011.

Regrettably due to the magnitude of these increases we will be unable to absorb the additional costs therefore we will need to increase your sheet board prices for all deliveries on or after Tuesday 31st May 2011.

Whilst we appreciate this is unwelcome news please be assured that we are continually working hard to minimise the impact of these increases.

We have taken this opportunity to give you as much advance notice as possible and your revised price list will be forwarded shortly.

We thank you for your much valued business and continued support.

Yours sincerely

Steve Webb

Sales Director



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MAKE IT POSSIBLE

[REDACTED]

3rd May 2011

[REDACTED]

We have been notified of further paper price increases which will be effective from the last week in May 2011.

Unfortunately we are unable to absorb these increases and as a result we will be increasing our Sheet board prices by 8% on all deliveries from the 1st June 2011.

We realise that this is unwelcome news for us all but the continued increase in waste, energy and other input costs continues to drive paper prices higher. In addition the demand for paper continues to be strong on the mainland and in the UK.

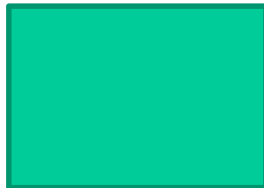
We appreciate and thank you for your continued support.

Kind regards

Richard McBride
Managing Director



MAKE IT POSSIBLE



3rd May 2011



We have been notified of further paper price increases which will be effective from the last week in May 2011.

Unfortunately we are unable to absorb these increases and as a result we will be increasing our Box prices by 7.5% on all deliveries from the 1st June 2011.

The increase will also apply to all quotes that we issue up to the 31st May 2011, that are subsequently ordered.

We realise that this is unwelcome news for us all but the continued increase in waste, energy and other input costs continues to drive paper prices higher. In addition the demand for paper continues to be strong on the mainland and in the UK.

We appreciate and thank you for your continued support.

Kind regards

Richard McBride
Managing Director