

# **GRAPHIC PAPERS**

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**PAPER MARKET OUTLOOK  
MAY 2007**

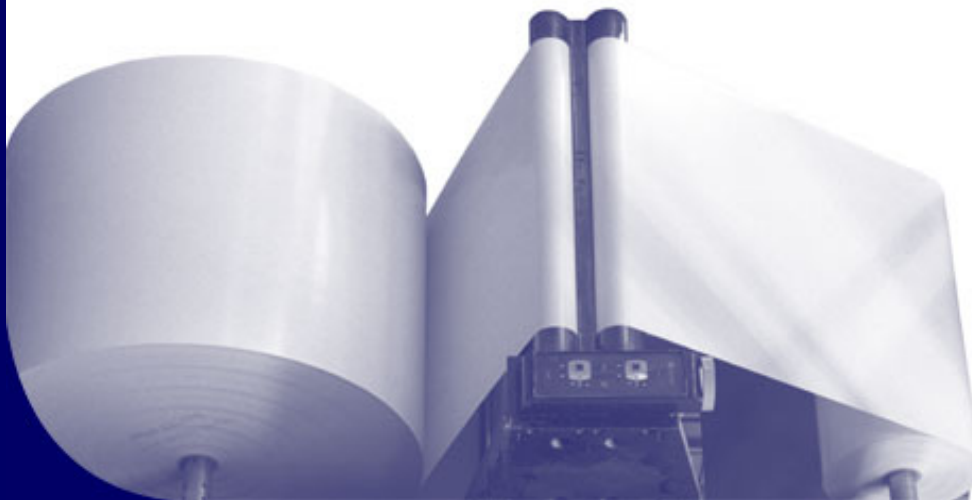
**MARTIN GLASS  
EMGE & CO**



[www.emge.com](http://www.emge.com)

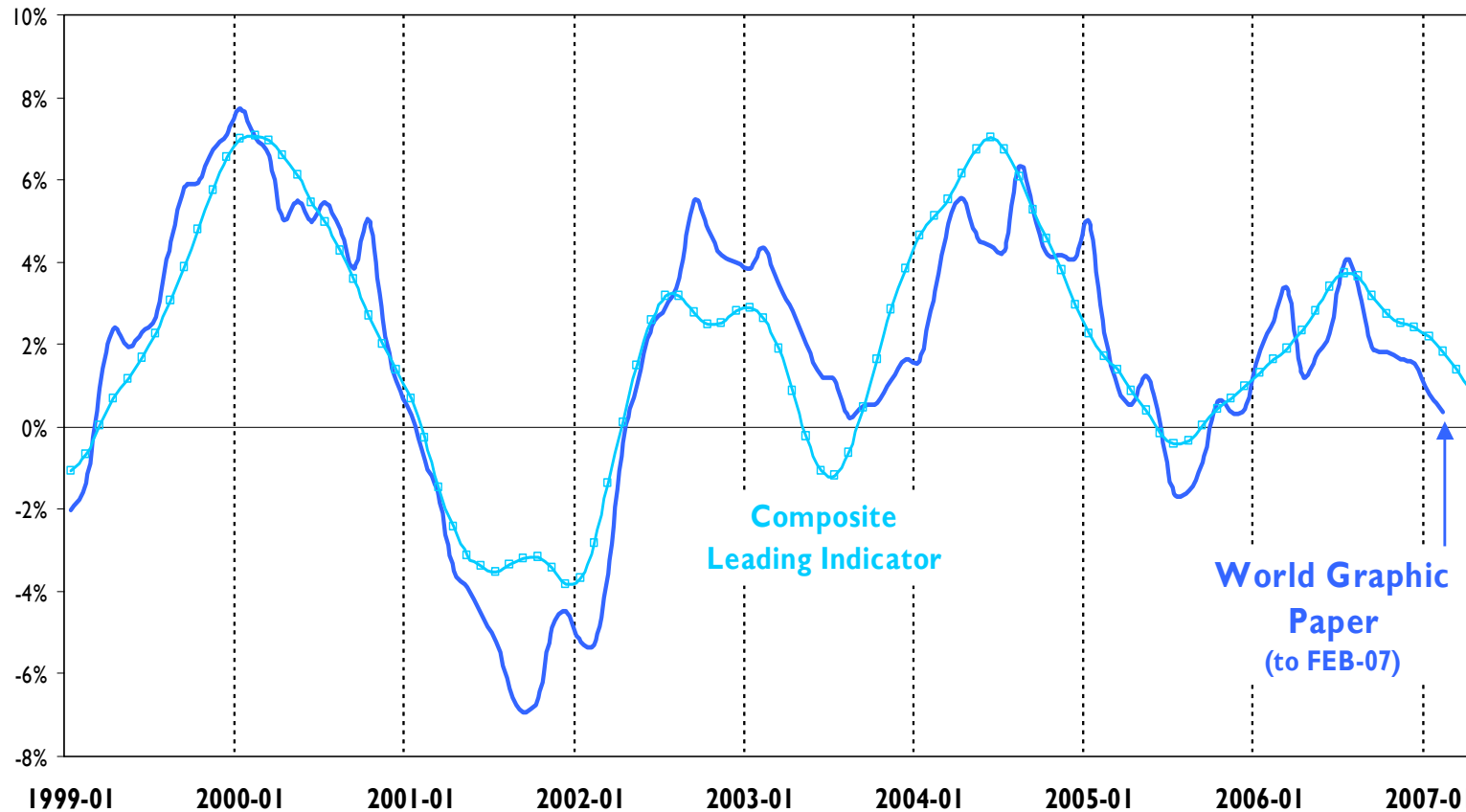
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**WELCOME TO EMGE & CO.**  
**LEADING PAPER INDUSTRY SPECIALISTS**  
PAPER INDUSTRY - MARKET FORECASTS AND RESEARCH



# PAPER DEMAND CYCLES

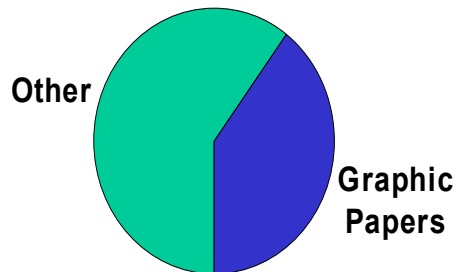
## WORLD GRAPHIC PAPERS



Based on USA, Japan & W.Europe ONLY

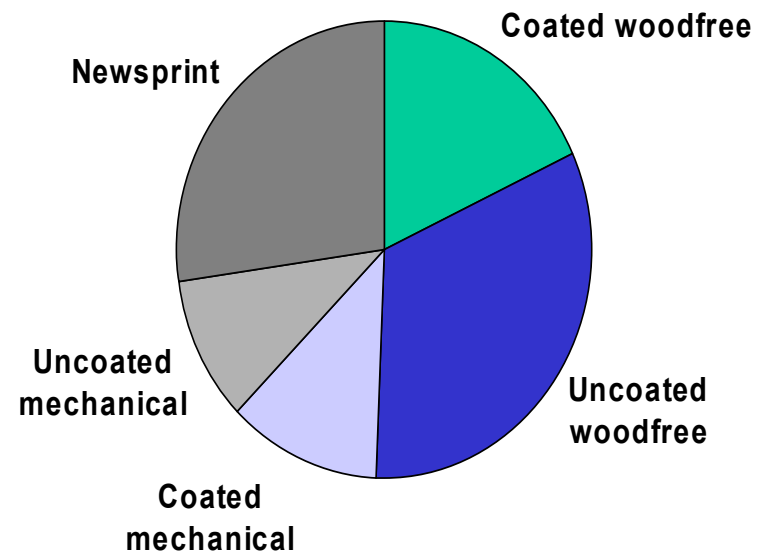
# ABOUT EMGE

Global Paper & Board  
340 million tonnes



## EMGE

- market analysis and forecasting
- concentrated on insight and clarity
- global and comprehensive
  - demand and production volumes
  - capacity and operating rates
  - pricing
  - production investments
  - by paper grades and region/country
- industry-specific market research
- investments analysis
- end use studies
- fast response service



**Global Graphic Papers Business**  
**(140 Million Tonne Industry)**  
**(Euro >90 billion)**

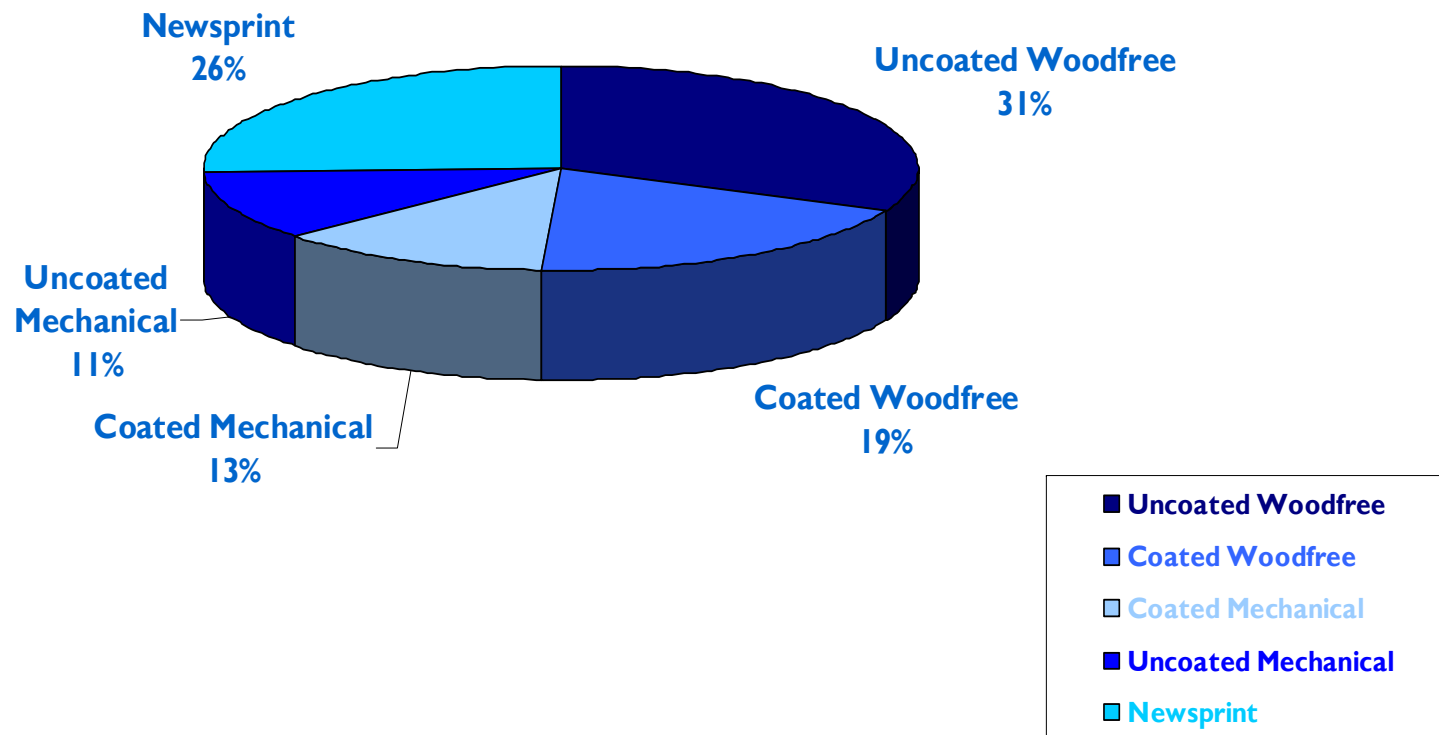
# PRESENTATION OUTLINE

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- **OVERVIEW / TRENDS**
  - regions, grades, trends
- **OUTLOOK / FORECAST**
  - demand, supply, op rates
- **DRIVERS**
  - economics, media/communications, print technology
- **KEY ISSUES**
  - profitability, demand-price elasticities, industry structure/concentration

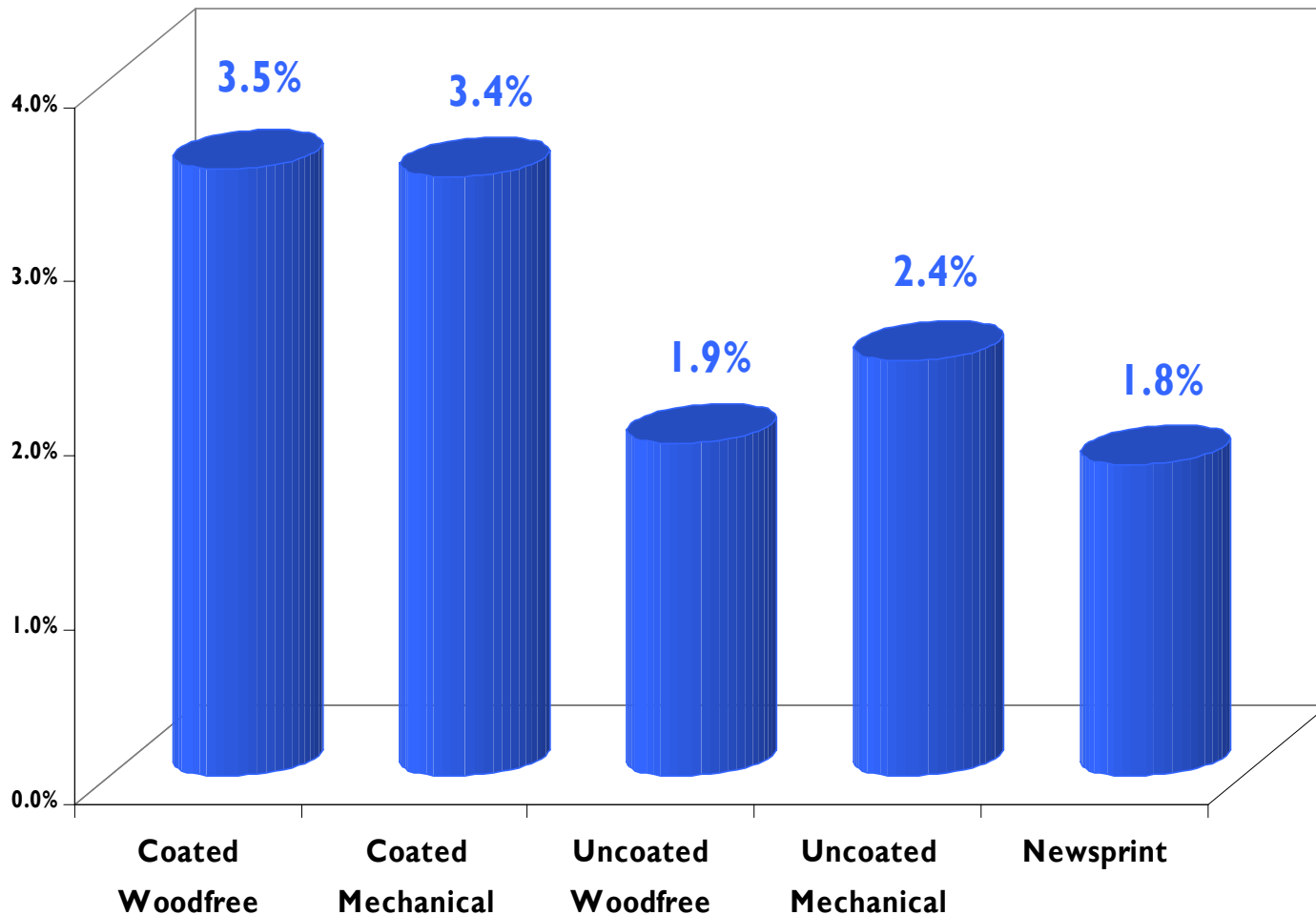
# WORLD PAPER DEMAND BY GRADE

Global Graphic Paper Demand (2006) = 146 million tonnes

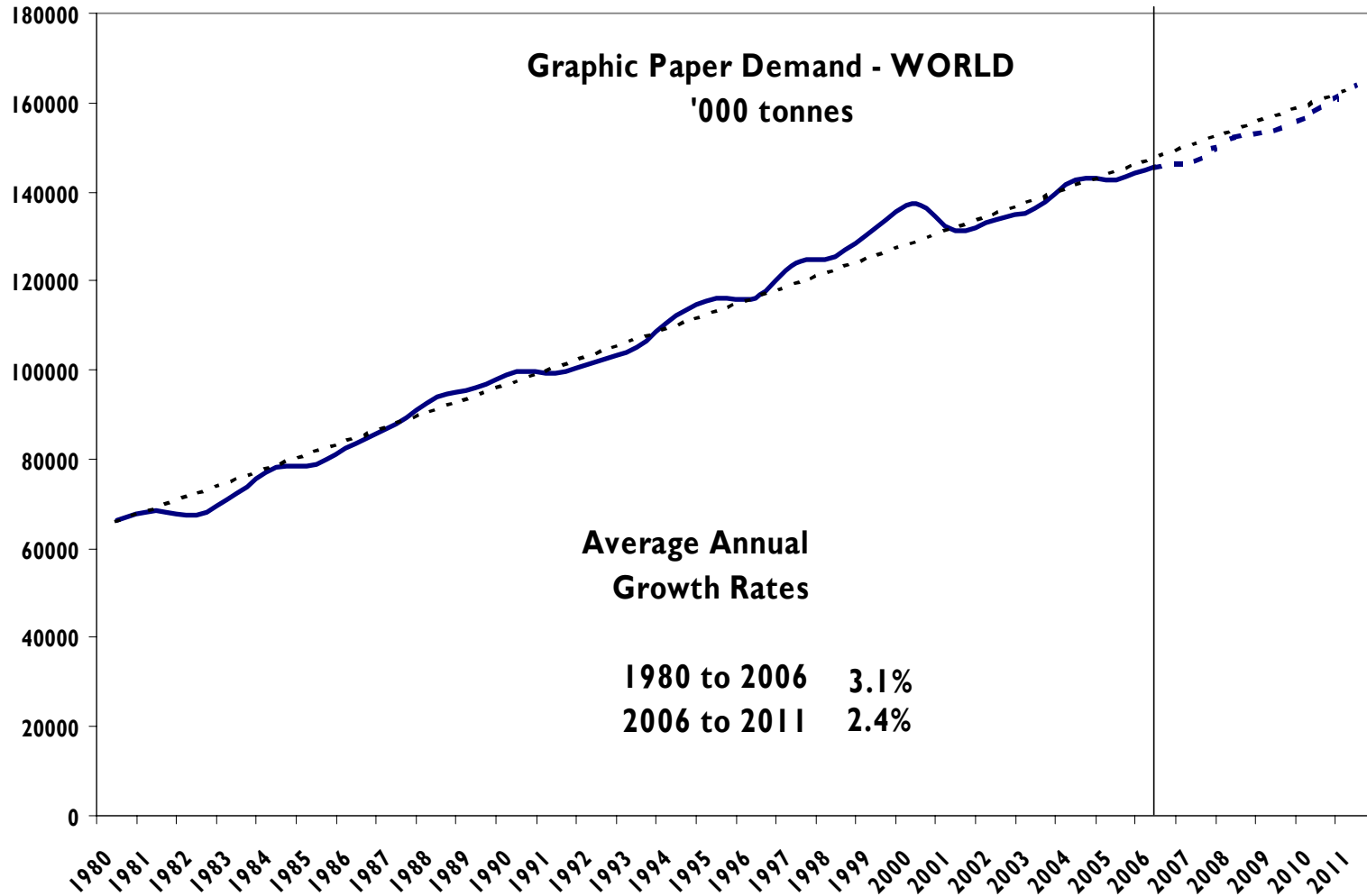


# PAPER GRADE DEMAND FORECAST (WORLD)

## AVERAGE %pa GROWTH (2006-2011)

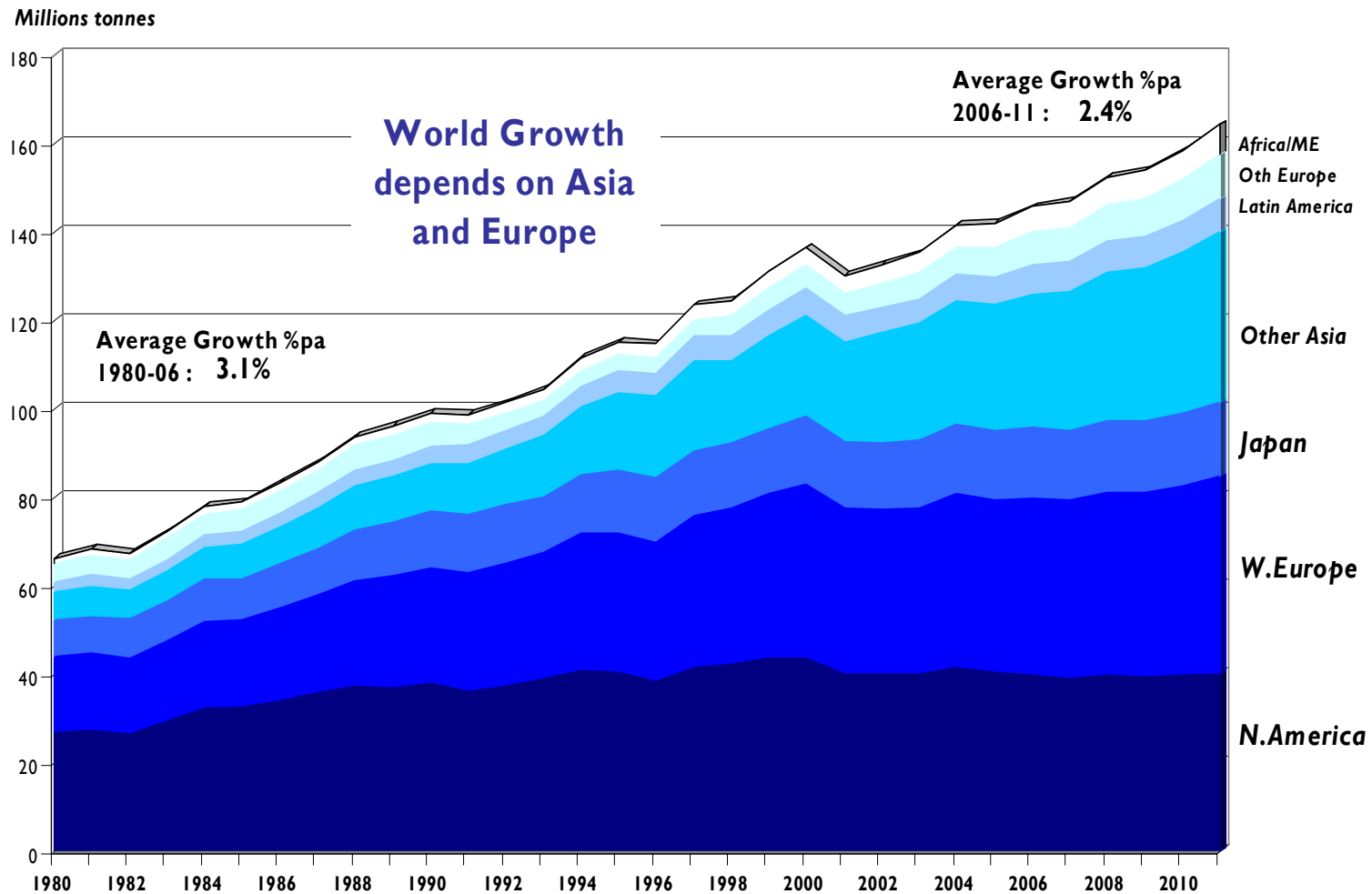


# GLOBAL DEMAND TREND

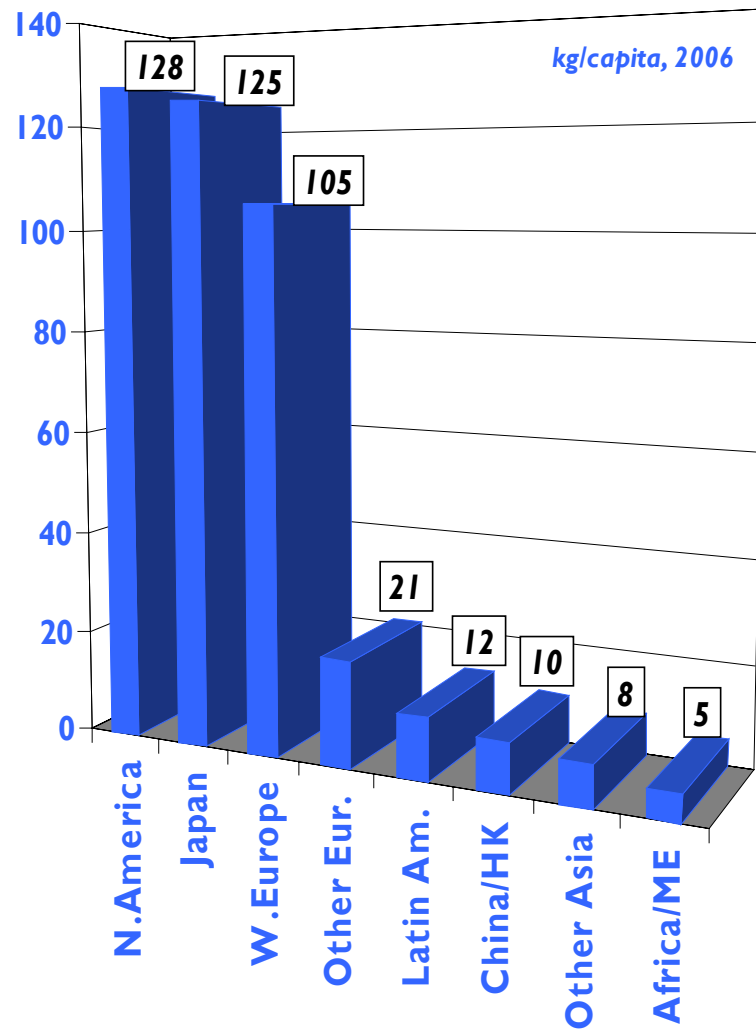


# WORLD PAPER DEMAND TREND

## GRAPHIC PAPERS, 1980 - 2011

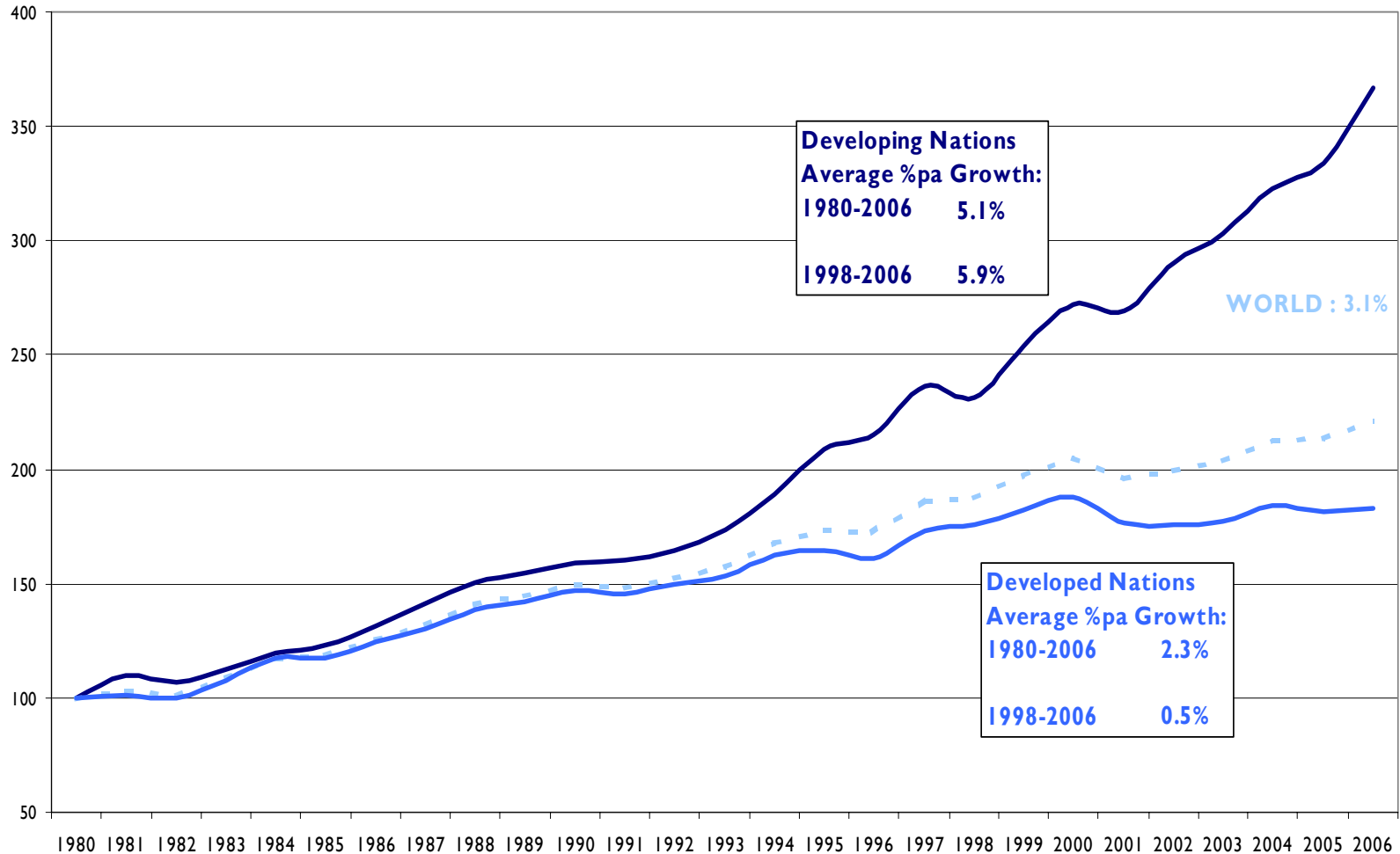


# REGIONAL PAPER DEMAND/CAPITA



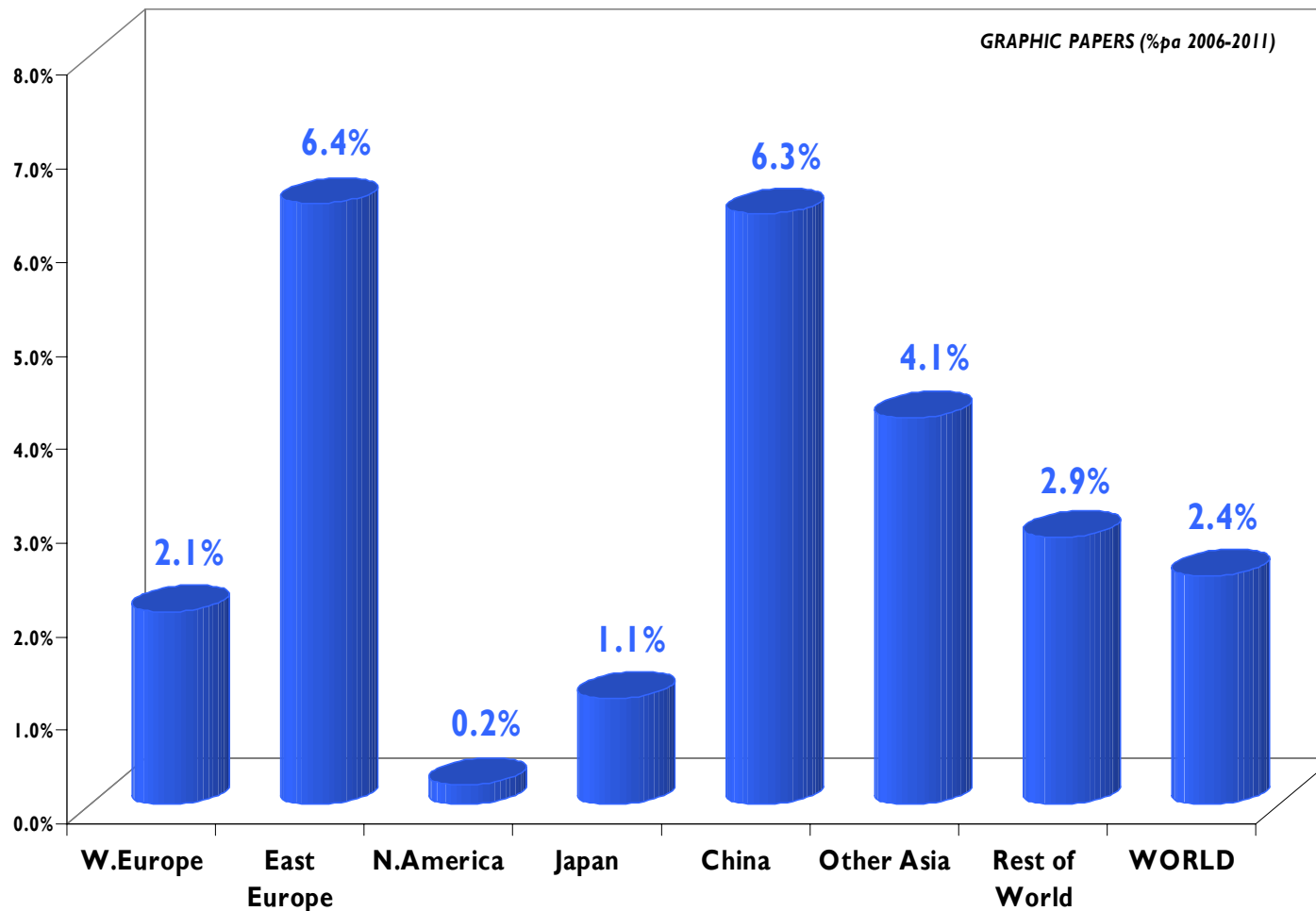
# DEMAND: DEVELOPED v DEVELOPING WORLD

Graphic Paper Demand  
(1980=100)

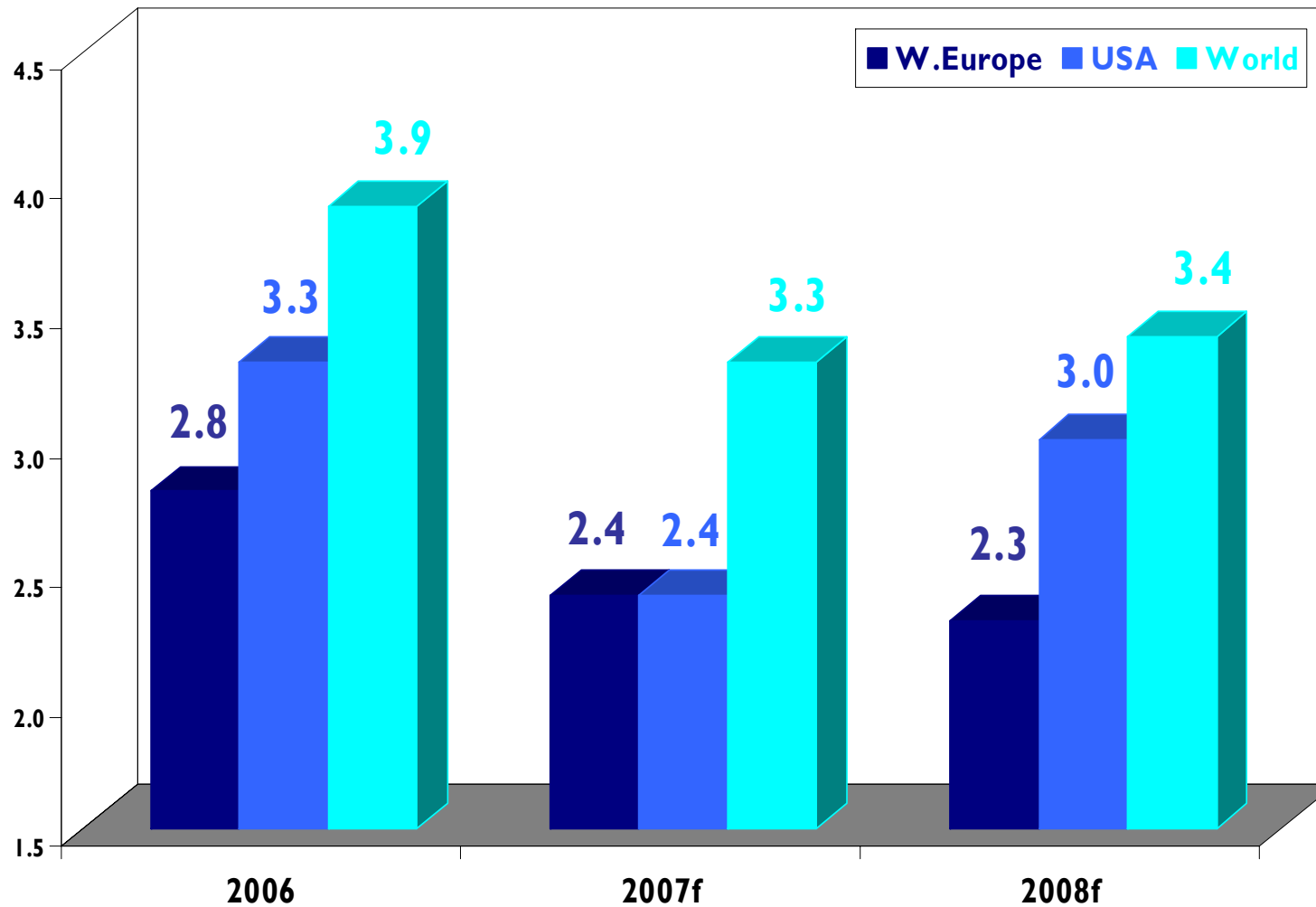


# REGIONAL GRAPHIC PAPER DEMAND FORECAST

## AVERAGE %pa GROWTH (2006-2011)



# ECONOMIC OUTLOOK (consensus)



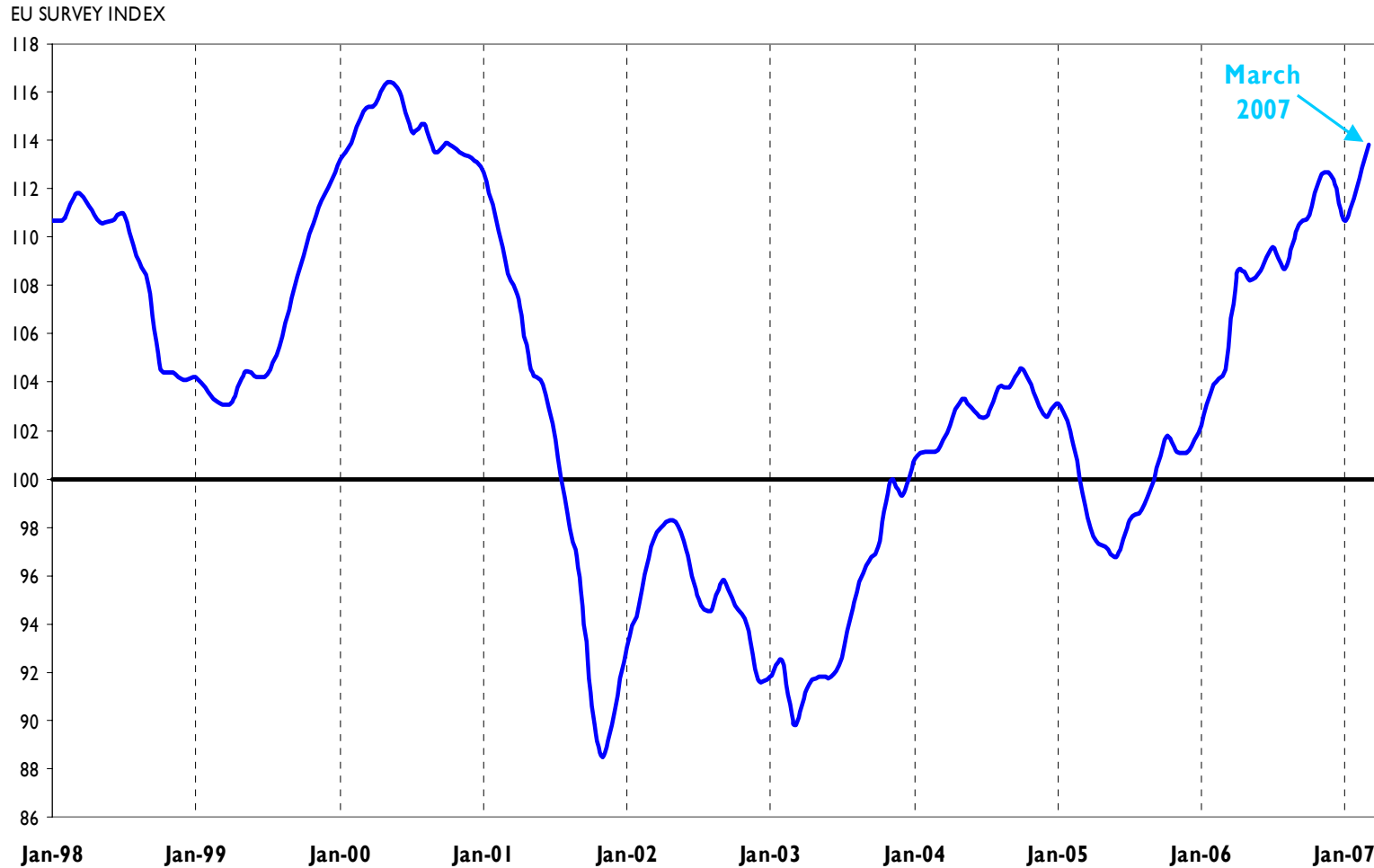
# **END OF THE BUSH-BLAIR STATUS QUO**

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## **FORTHCOMING POLITICAL EVENTS**

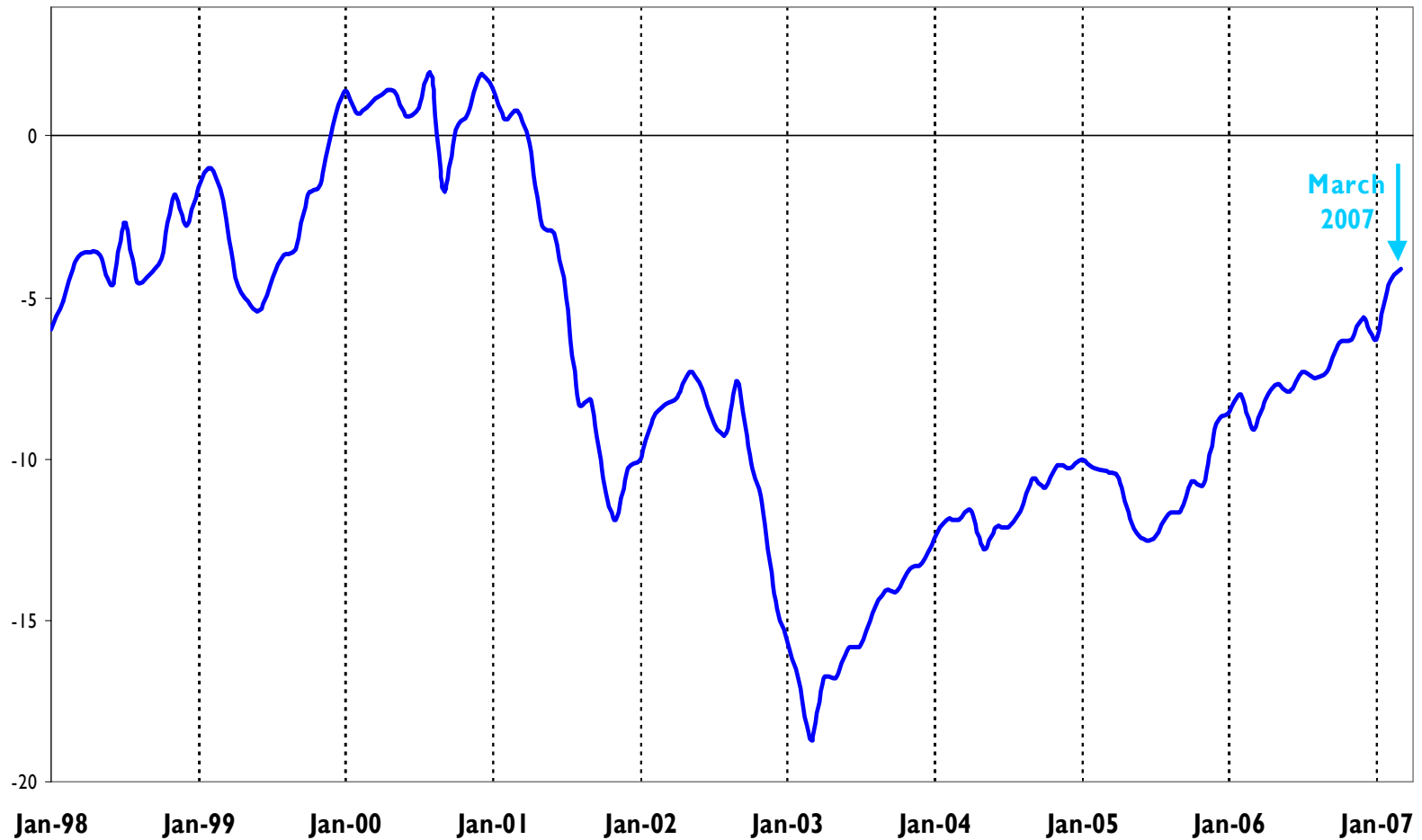
- **France** – election of president (May 2007)
- **UK** – election of new Prime Minister (by end-2007)
- **Russia** – election of Duma (end-2007),  
election of President (1<sup>st</sup> round March 2008)
- **China** – election of Parliament (end-2007),  
election of President (March 2008)  
[Beijing Olympics, 6-24 August 2008]
- **USA** – election of President (November 2008),  
election of House of Rep. (November 2008)

# ECONOMIC SENTIMENT INDICATOR - EU



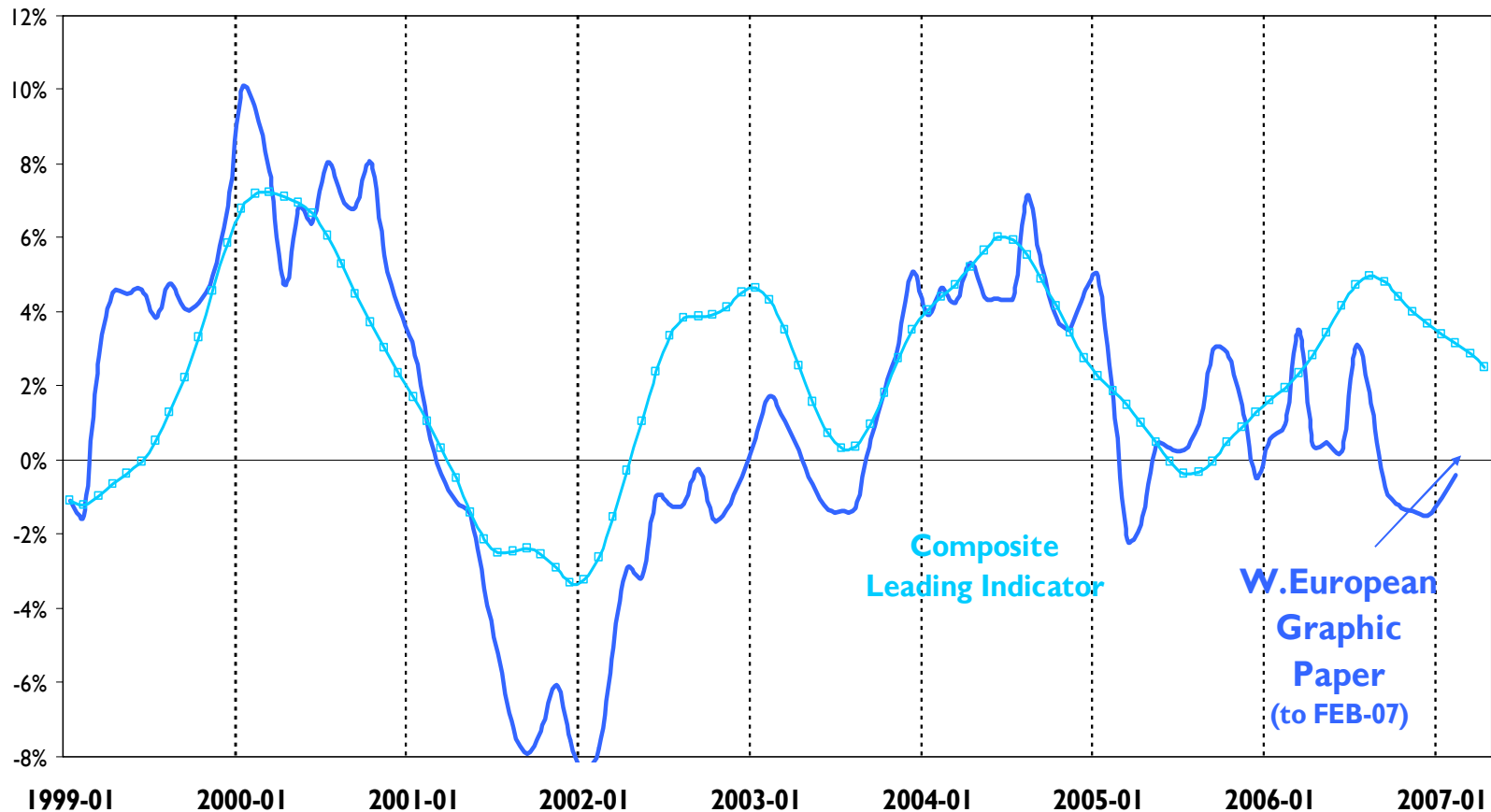
# CONSUMER CONFIDENCE INDICATOR - EU

Consumer Confidence Indicator, EU



# PAPER DEMAND CYCLES – W.EUROPE

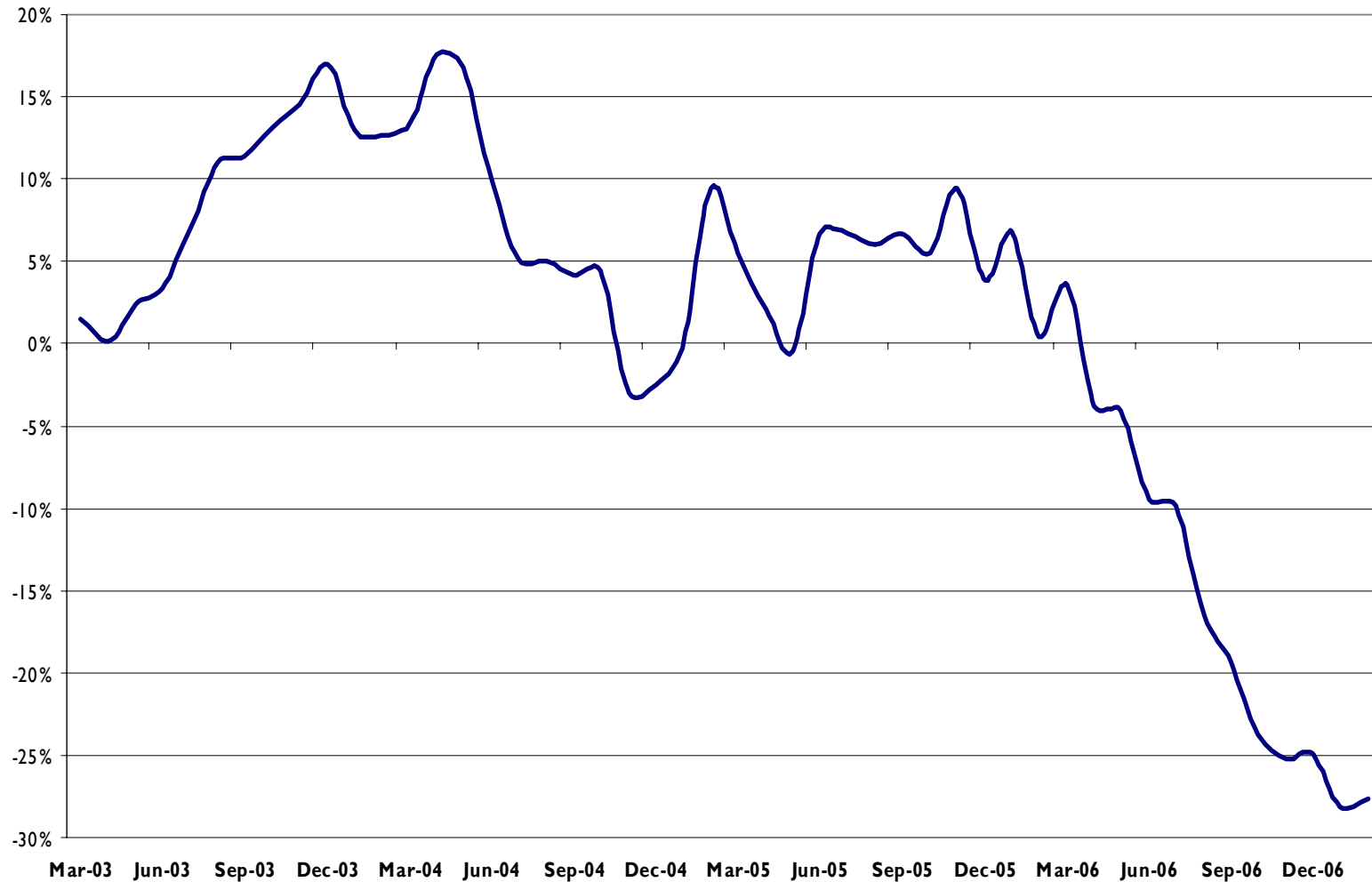
% pa - 3MMA Growth



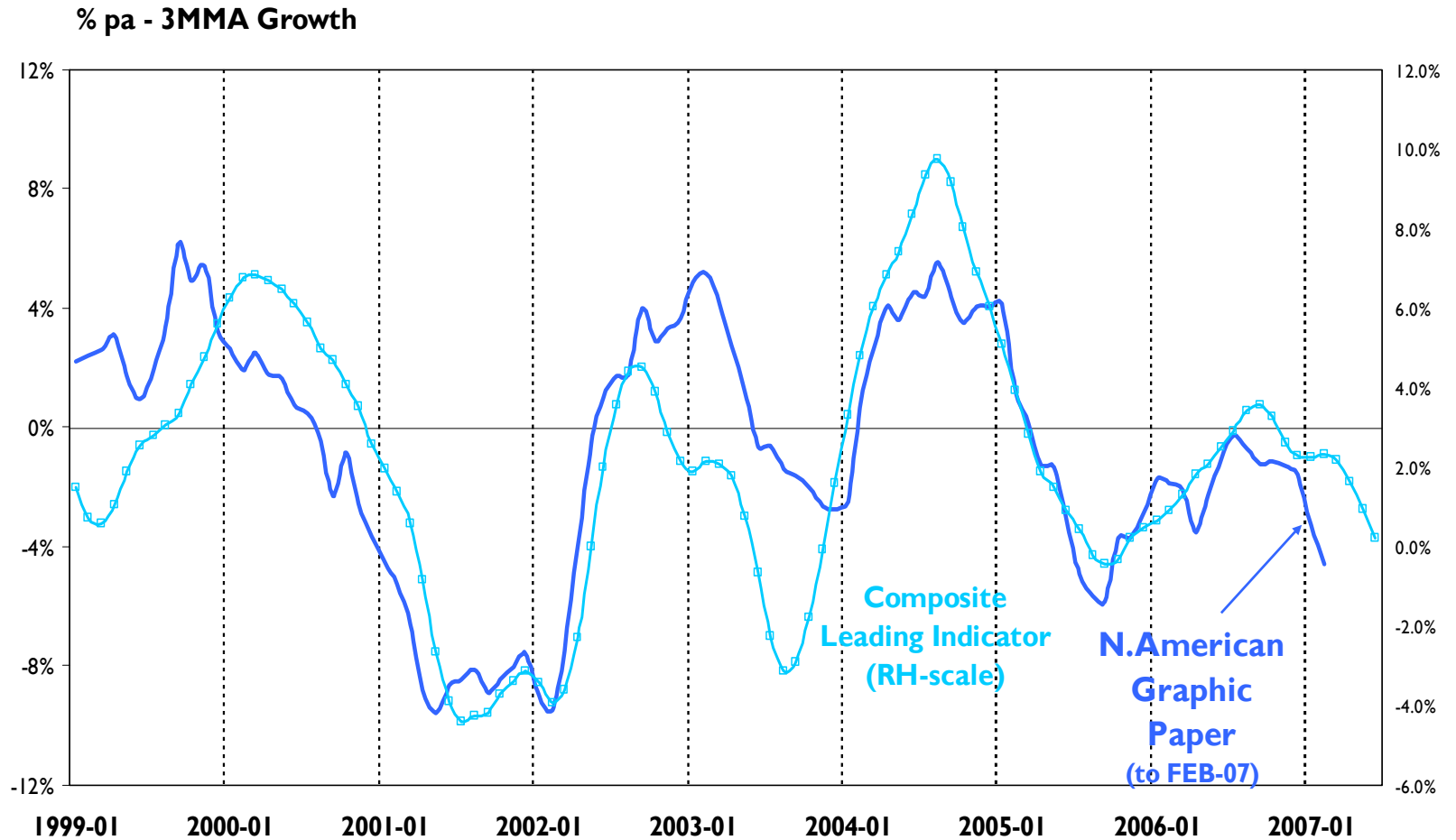
\* CLI based on USA, Japan & W.Europe ONLY

# HOUSING STARTS – USA

US Housing Starts, 3mma

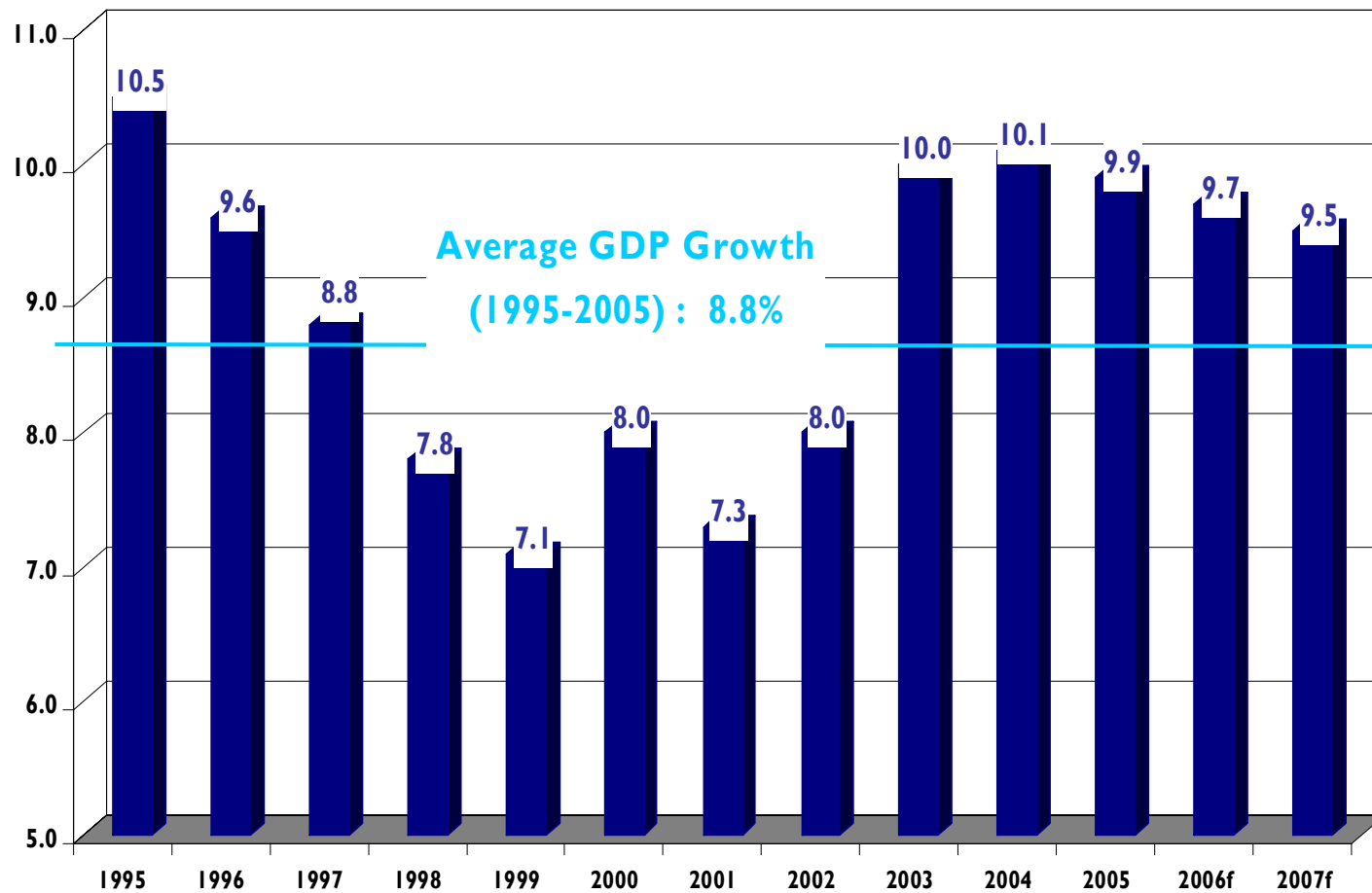


# PAPER DEMAND CYCLES – N.AMERICA



# GDP - CHINA

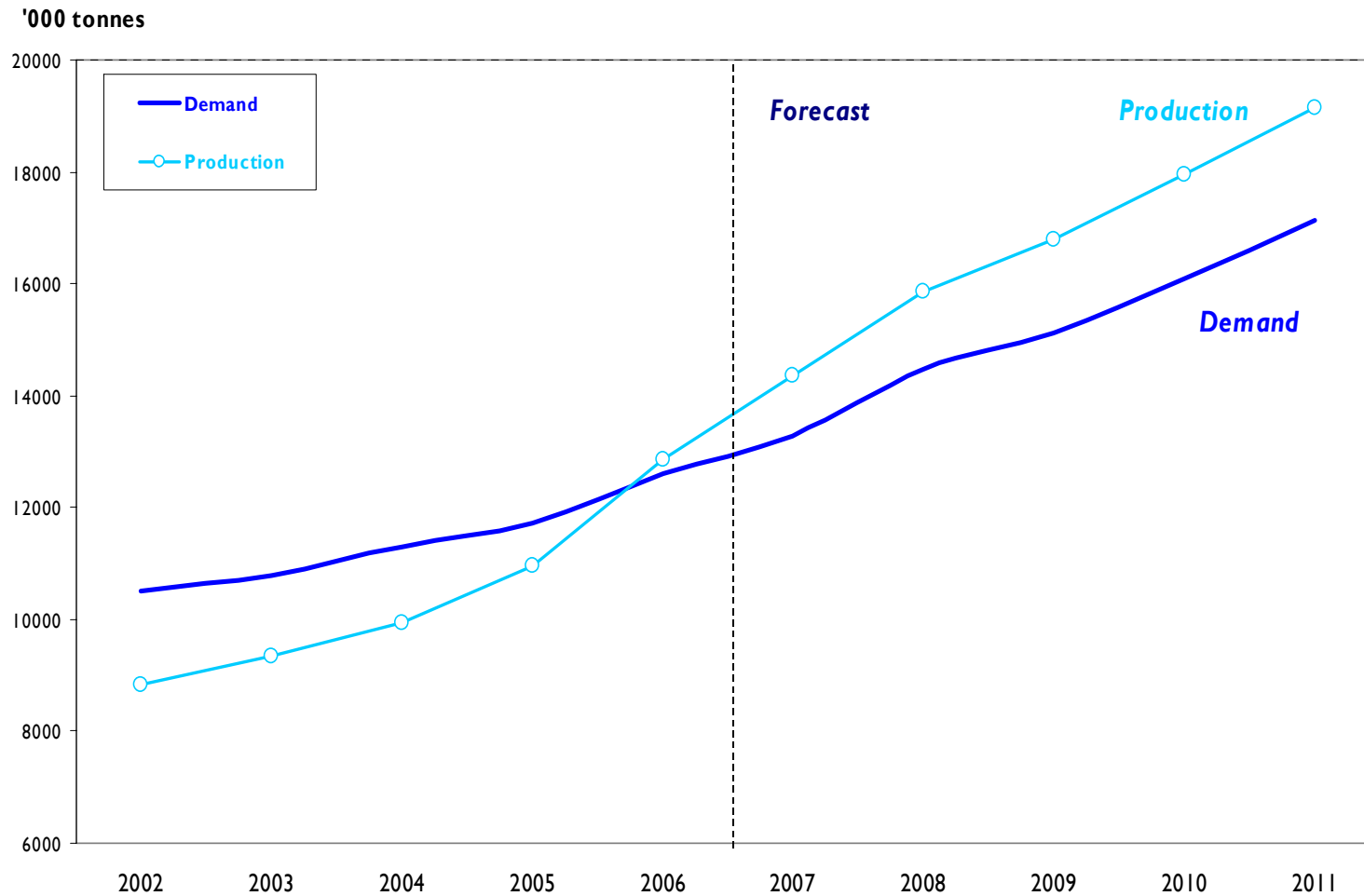
## REAL GDP GROWTH



Source: EMGE/Concensus/OECD

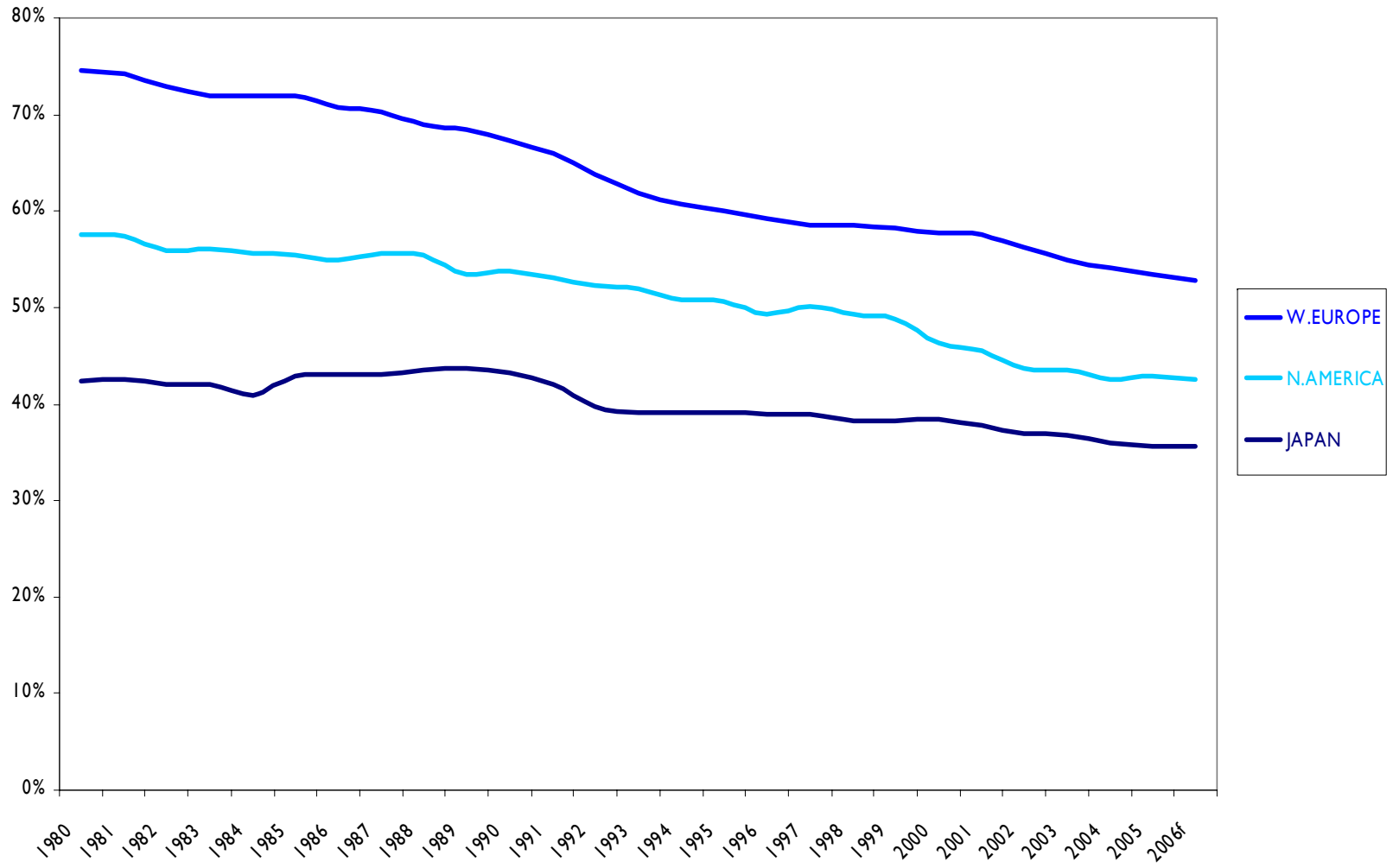
# GRAPHIC PAPERS - CHINA

## DEMAND & SUPPLY



# PRINT SHARE OF ADVERTISING

Print Share of Adspend



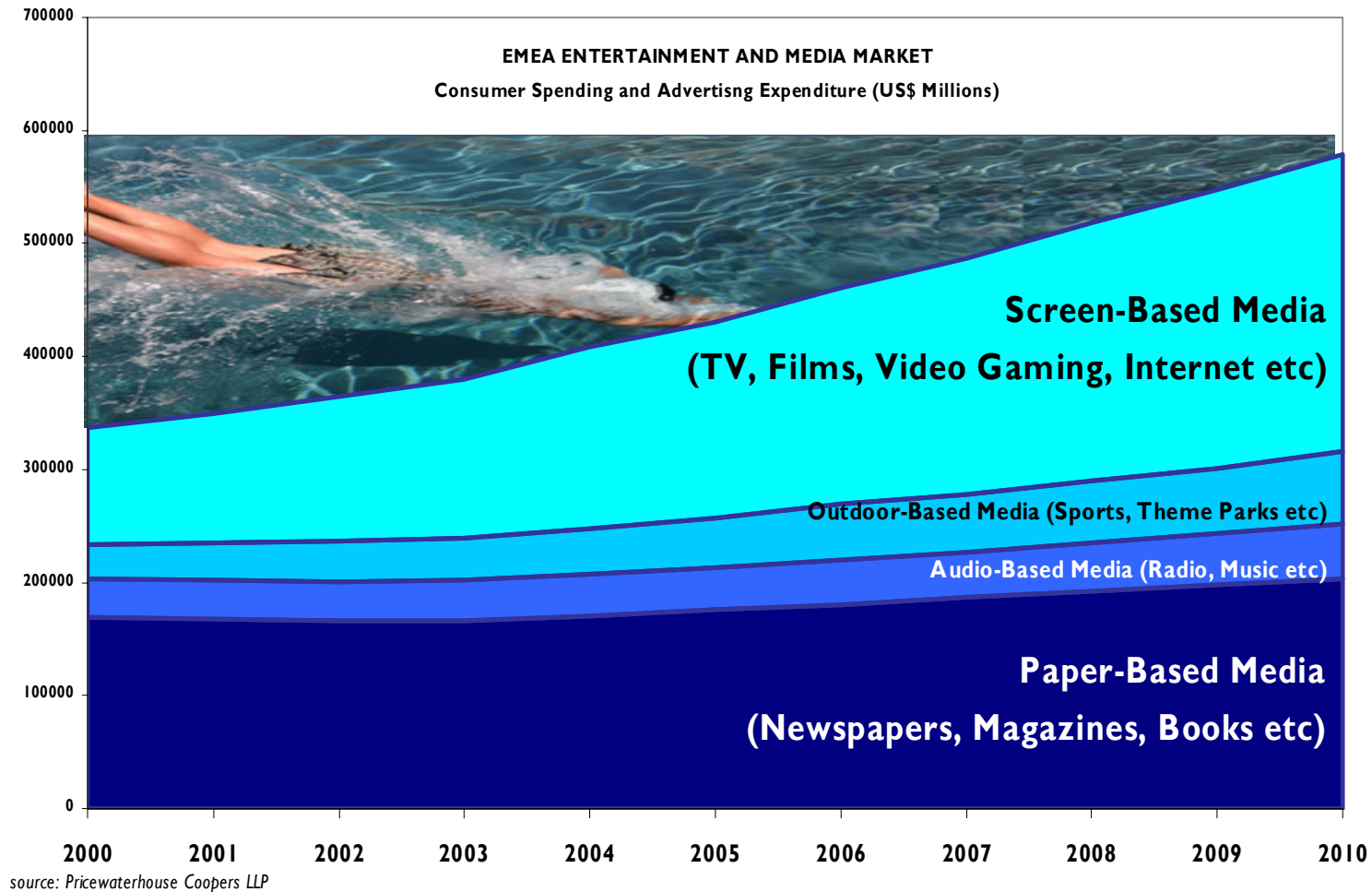
# ADVERTISING EXPENDITURE FORECASTS

## Growth 2007 (Current Prices)

sources: ZenithOptimedia, World Advertising Research Centre, Universal McCann, Carat

	<b>ZENITH</b>	<b>WARC</b>	<b>McCANN</b>	<b>CARAT</b>
USA	<b>4.1</b>	<b>3.8</b>	<b>4.8</b>	<b>5.2</b>
Germany	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>1.5</b>
UK	<b>3.7</b>	<b>3.9</b>	<b>5.3</b>	<b>4.2</b>
France	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>	<b>2.0</b>
Spain	<b>5.4</b>	<b>4.9</b>	<b>4.8</b>	<b>4.0</b>
Italy	<b>3.3</b>	<b>3.1</b>	<b>8.2</b>	<b>2.6</b>

# PAPER MEDIA UNDER GREATER PRESSURE (EMEA)

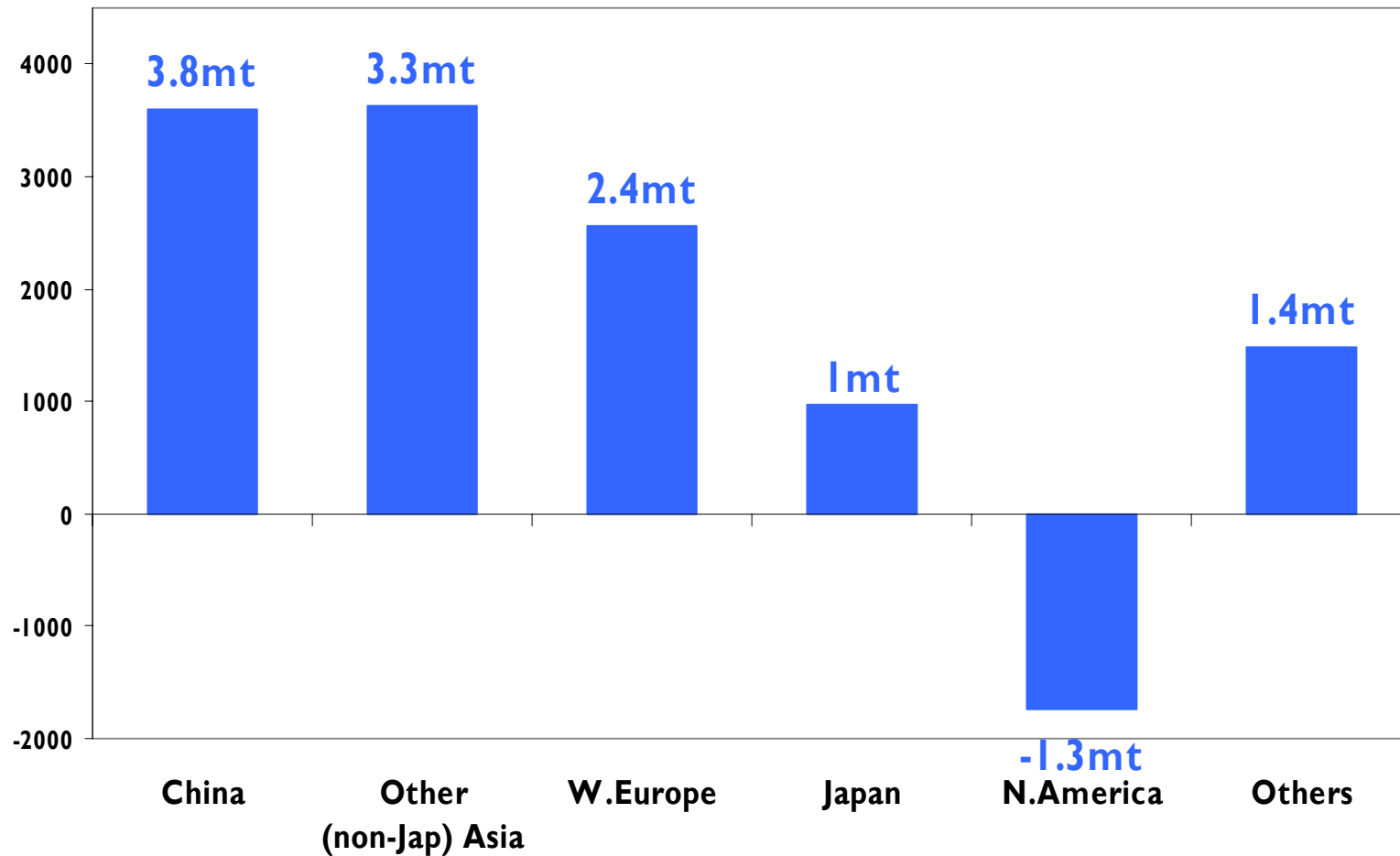


# WORLD GRAPHIC PAPERS MARKET SUMMARY

'000 tonnes	2006	2007	2008	2009	2010	2011	2006-011
World Demand	145690	146835	152255	153890	158305	164295	18605
<i>Growth</i>		0.8%	3.7%	1.1%	2.9%	3.8%	2.4%
World Capacity/Supply	158810	159500	161700	165525	168180	170070	11260
<i>Growth</i>		0.4%	1.4%	2.4%	1.6%	1.1%	1.4%
Operating Rate	92%	92%	94%	93%	94%	97%	
<b>EMGE &amp; Co. © 2007</b>							

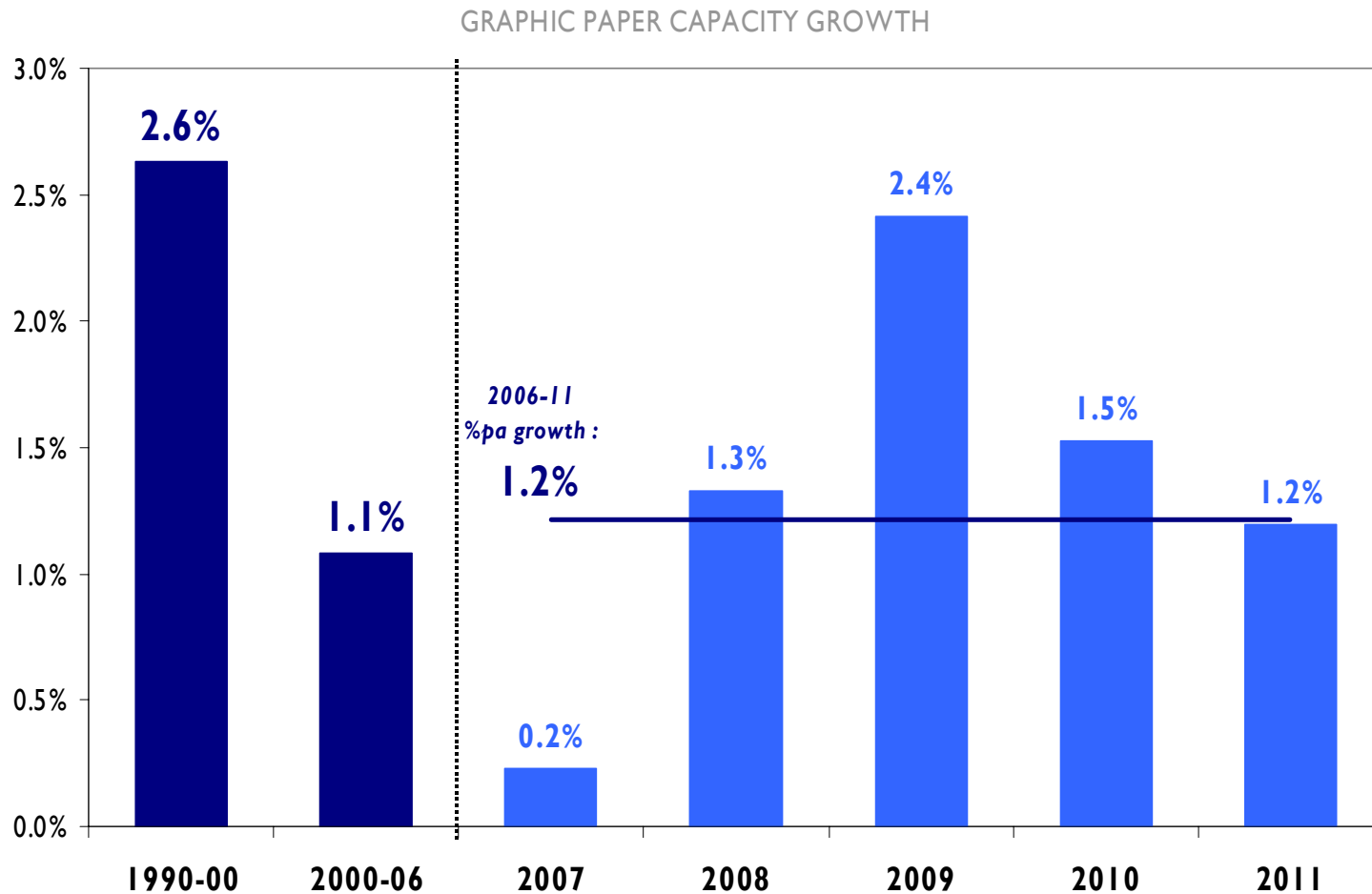
# CAPACITY INCREASE FORECAST BY REGION

'000 tonnes, 2007-11



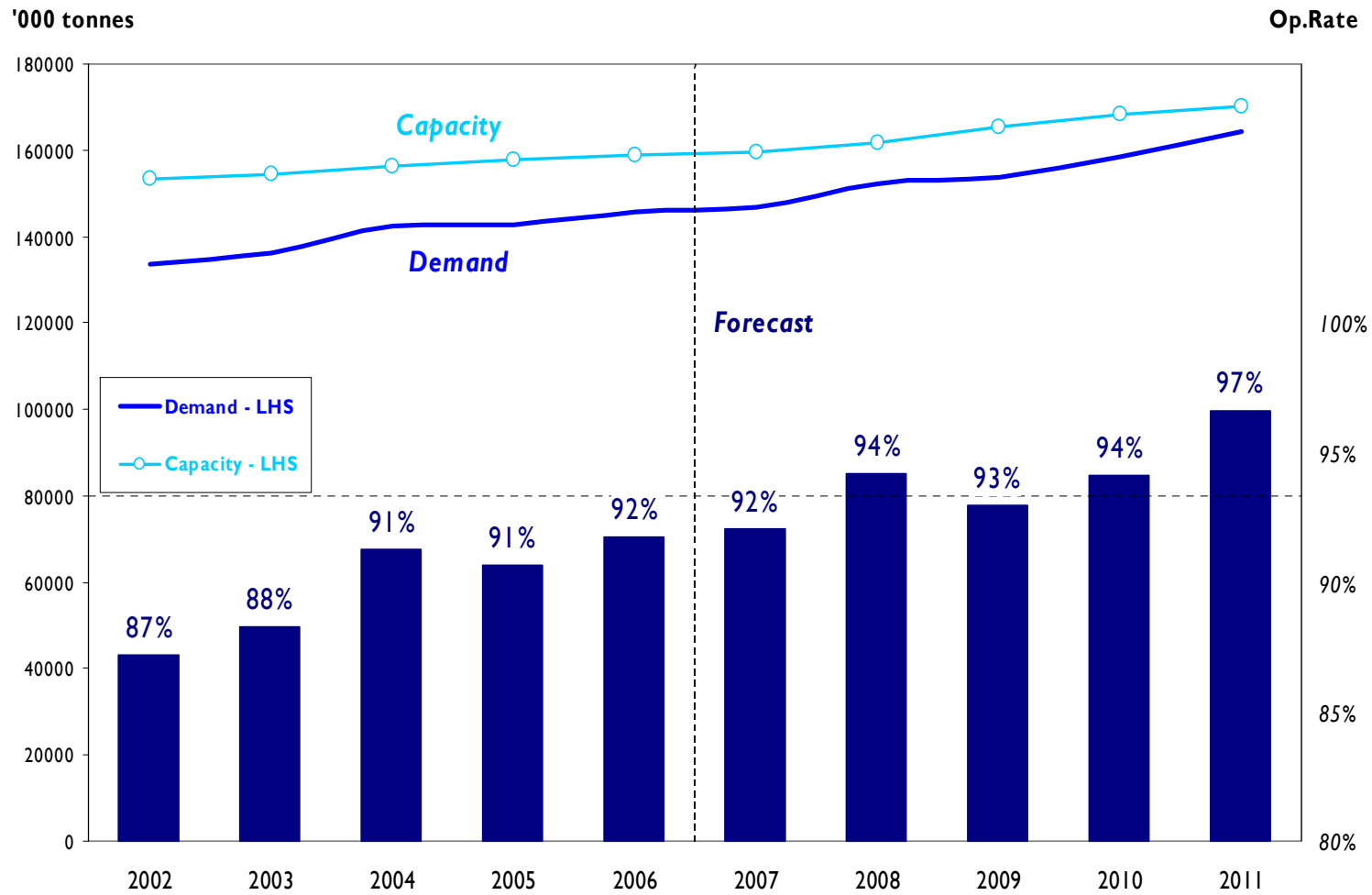
# GLOBAL GRAPHIC PAPER CAPACITY

## CAPACITY GROWTH



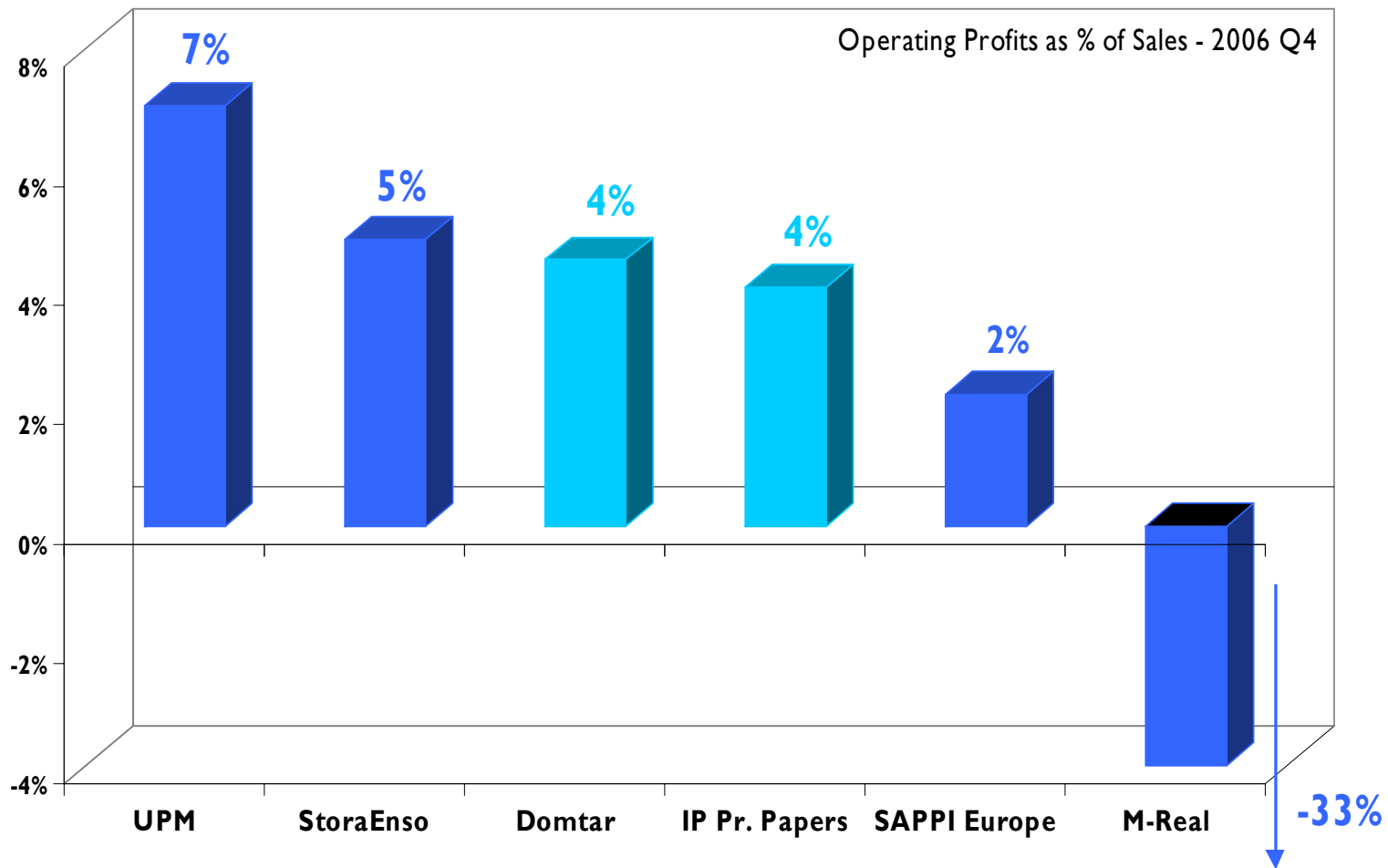
# WORLD DEMAND/SUPPLY, GRAPHIC PAPERS

## DEMAND SUPPLY BALANCE



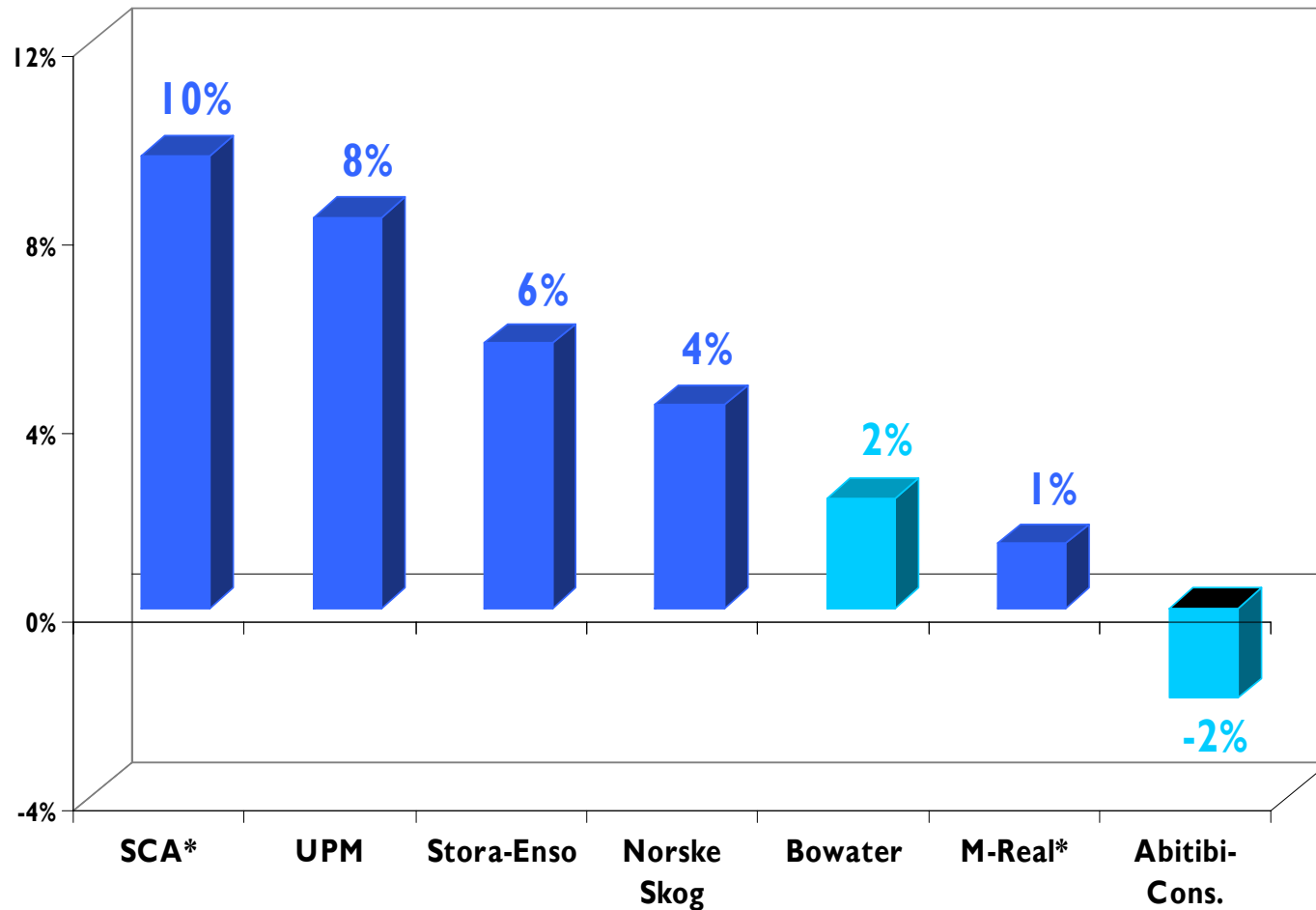
# OPERATING PROFITS – FINE PAPERS

## FINE PAPER COMPANIES, 2006 Q4



# OPERATING PROFITS – MAGAZINE PAPERS

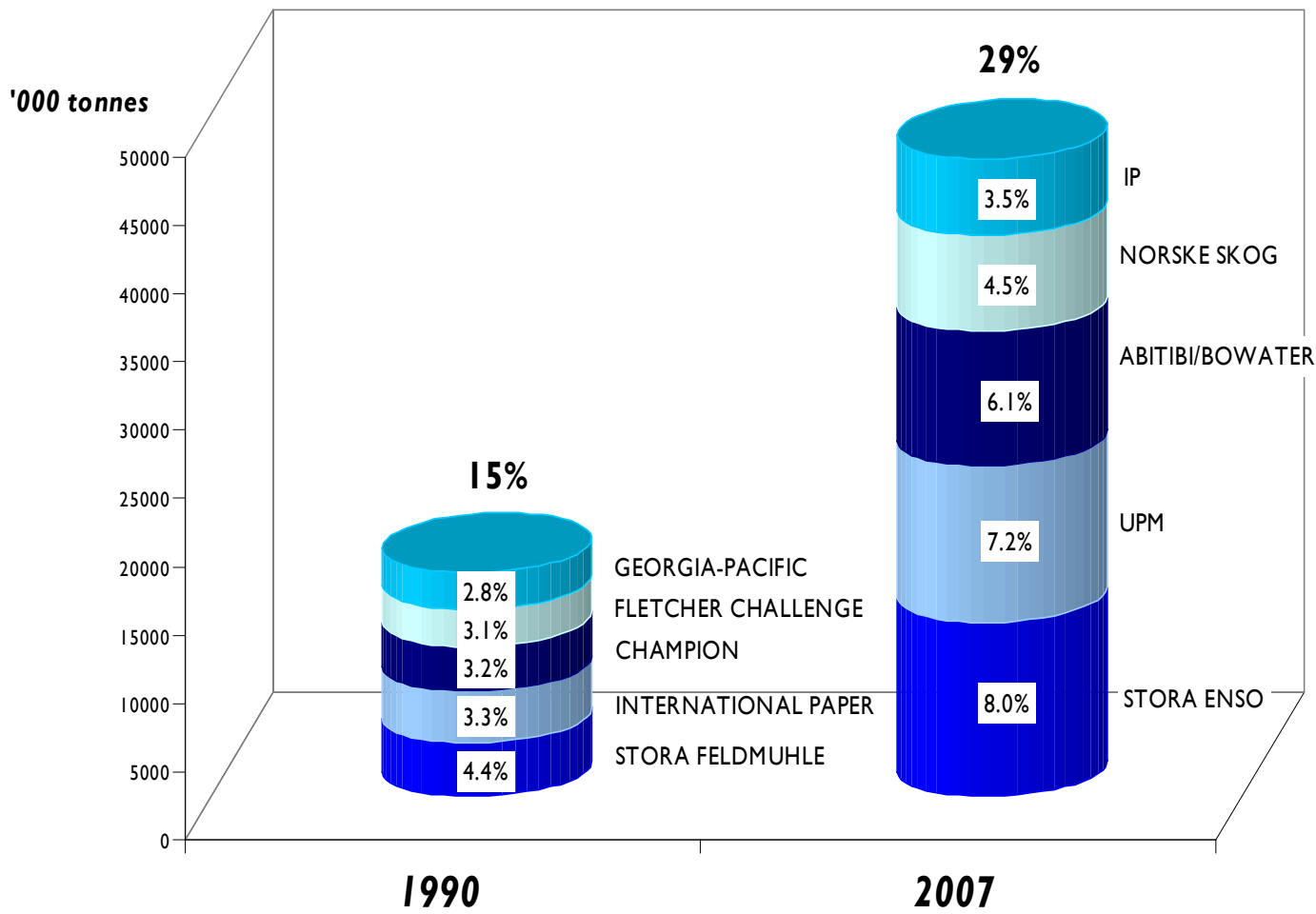
## MAGAZINE PAPER COMPANIES, 2006 Q4



\* includes other paper grades

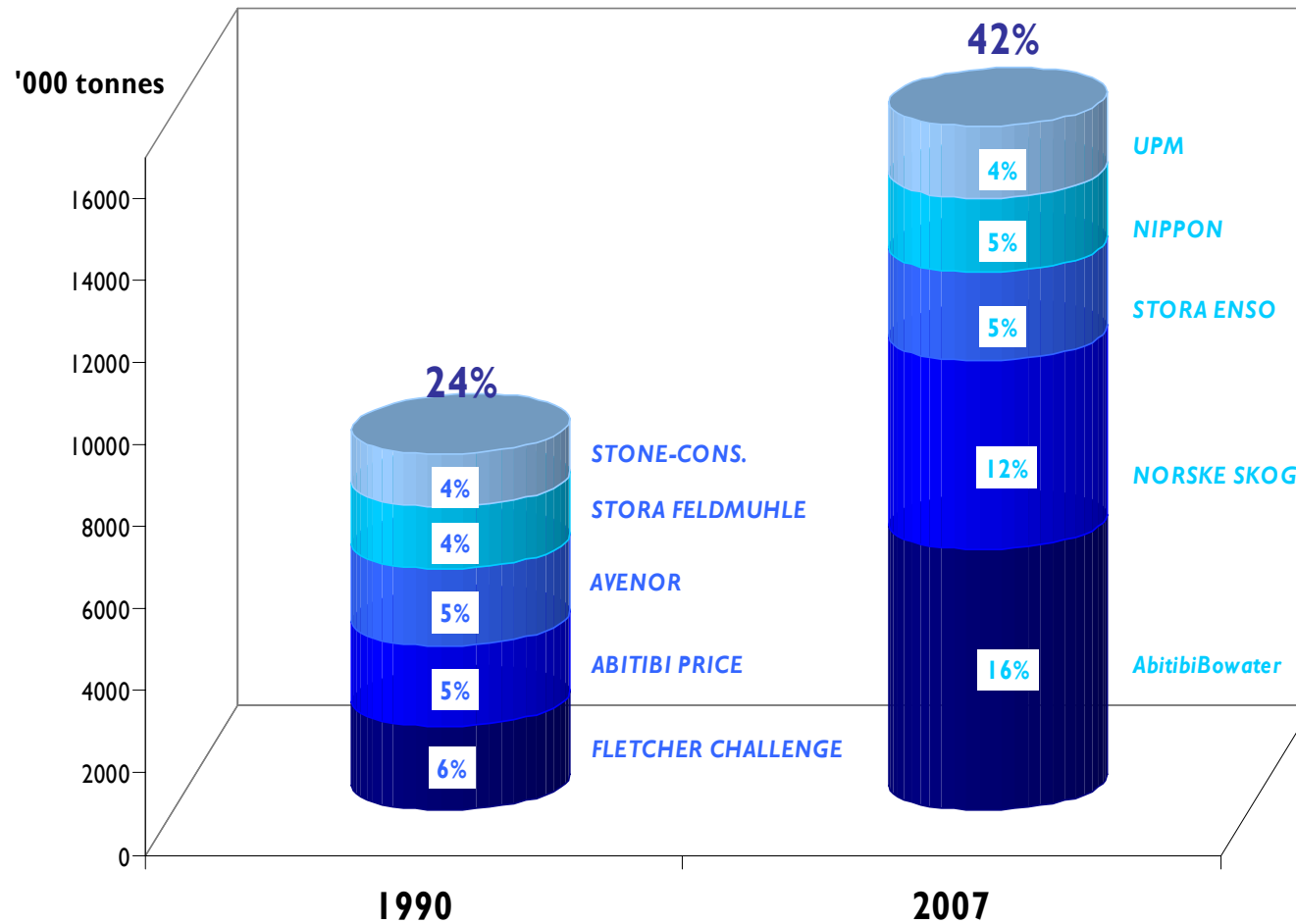
# TOP 5 GRAPHIC PAPER SUPPLIERS

## 1990 vs 2007 CAPACITY – GRAPHIC PAPERS



# TOP 5 NEWSPRINT SUPPLIERS

## 1990 vs 2007 CAPACITY – NEWSPRINT



# HERFINDAHL-HIRSCHMAN INDEX - NEWSPRINT

