



January 2007

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

[India] *Mysore Paper Mills* has revealed plans for a major revamp at its mill in the southern state of Karnataka. The firm plans to invest a total of \$226 million modernizing its newsprint, printing/writing and kraft paper facility, which houses four paper machines with a total capacity of 120,000 t/yr.

[Uruguay] Spanish firm *Ence* plans to build a 1 million t/yr greenfield eucalyptus pulp mill in the province of Colonia. The company aims to begin building the \$930 million pulp mill in 2009. The mill will provide long-term employment for some 500 people.

[Wisconsin] *Flambeau River Biorefinery, LLC* has entered into a Memorandum of Understanding with *American Process Inc.* to provide project management and engineering services for its cellulosic ethanol project at Park Falls. The Flambeau River Biorefinery project will be the first modern U.S. based pulp mill biorefinery to produce cellulosic ethanol. It will be designed to produce 20 million gallons of cellulosic ethanol per year from spent pulping liquor.

[Egypt] *Indevco* is looking to build a 50,000 t/yr greenfield tissue paper plant in Sadat City. The group, based in Lebanon, has applied to the International Finance Corporation for funding toward the project, which would cost an estimated \$77 million. The new mill would supply jumbo rolls to converters in the Middle East, Europe and Africa.

[Eastern Europe] *Mondi Packaging* plans to increase its capacity with the addition of a new 500,000 t/yr lightweight recycled containerboard machine in Eastern Europe. The company is now investigating potential brownfield sites to determine which would be most suitable. Sites being considered are the firm's Steti mill in the Czech republic and the Swiecie plant in Poland. The cost of the project has been estimated at \$419 million, and would create in the neighborhood of 350 jobs.

[Russia] *Ruukki Group* has announced plans to invest up to \$650 million in western Russia's forest products industry over the next five year period, part of which would go towards the construction of a 300,000 to 500,000 t/yr chemi-thermo-mechanical pulp mill. Plans also call for the construction of a 300,000 m³/yr pine and spruce saw mill.

[Bulgaria] *Svilocell* has decided to widen the scope of its capacity expansion plan in Svishtov. Original plans were to increase the mill's capacity by 55,000 t/yr. This number has subsequently been expanded to 150,000 t/yr, as management realized that the additional investment required would be minor. The project's overall cost now stands at \$71 million.

[Finland] Following last month's shutdown of the 85 year-old PM1 at its Varkaus mill, *Stora Enso* has unveiled plans to invest \$72 million in rebuilding the mill's PM3, thereby upping the machine's uncoated fine paper capacity from 220,000 t/yr to 315,000 t/yr.

[Portugal] *Altri* aims to raise the capacity of its Celbi bleached eucalyptus kraft (BEK) pulp mill in Figueira da Foz from 305,000 t/yr to 550,000 t/yr. The estimated cost of the project, which also includes improvements to the mill's efficiency and product quality, stands at \$416 million. A smaller-scale project is also being considered for the company's Celtejo facility. This would involve the installation of a bleaching process at the site, enabling the mill to switch its output from 140,000 t/yr unbleached softwood pulp to 195,000 t/yr BEK. The latter project would cost \$72 million.

[India] *ABC Paper* has plans to increase the capacity of its uncoated woodfree paper facility, which is located in the northern state of Punjab. At an estimated cost of \$29 million, the project involves an increase of the mill's capacity from 48,000 t/yr to 75,000 t/yr, as well as the addition of a chemical recovery plant and a 9.6 MW cogeneration plant.



January 2007

[**Vietnam**] *New Toyo Pulppy* and *Corelex* have joined forces to build a new tissue plant in the province of Hung Yen. The facility will house a crescent former paper machine with recycled fiber capability, as well as converting lines. Capacity is expected to be in excess of 28,000 t/yr. The total cost of the project is estimated at \$38 million.

[**Florida**] *International Paper (IP)* will discontinue production of paper at its mill in Cantonment this May, and go ahead with plans to convert the mill into a 500,000 t/yr lightweight kraft linerboard producer. Once completed, this \$200 million project will enable IP to expand its market share in the corrugated packaging sector. This development is also seen as an indication that the North American market for uncoated freesheet is in decline.

[**Saudi Arabia**] *Middle East Paper Company* is to install a third corrugating materials machine at its mill in Jeddah. The unit will have a 250,000 t/yr capacity and will produce testliner and recycled fluting. Star-up is targeted for the end of 2008.

[**Japan**] *Metso Paper* will supply a large OptiConcept papermaking line to a mill in Japan, the name of which was not disclosed. The line will produce more than 400,000 t/y of woodfree coated paper. The project cost is evaluated at \$130 million.

[**China**] *Guangzhou Paper* has ordered a drum pulper and sludge dewatering system for its fully recycled-content newsprint mill. The new drum pulper will have a pulping capacity of over 700,000 t/yr, making it amongst the largest in the world. Current newsprint capacity at the mill stands at 300,000 t/yr.

[**New Brunswick**] *Tembec* and the *Birla Group* will begin work on a \$26 million project to convert the product line of the AV Nakawic mill. Whereas the mill currently produces bleached softwood kraft, management has decided to focus instead on the production of dissolving pulp, which will be sold to manufacturers of rayon, a garment fiber.

[**Ohio**] *Appleton* has announced plans for an expansion of the company's thermal paper production capacity at the mill in West Carrollton. At a cost of approximately \$100 million, the expansion program will include the installation of a state-of-the-art coater as well as enhancements to the mill's No. 92 paper machine.

Implementation Phase

[**Brazil**] *Votorantim Celulose e Papel* expects to produce 1,08 million tons of bleached eucalyptus pulp at its Jacareí mill this year following the completion of a \$60 million project involving a 130,000 t/yr expansion of its capacity. The mill's pulp production manager said that 90,000 tons of the plant's output will feed the mill's 100,000 t/yr woodfree paper machine, while the remaining 990,000 tons will be sold as market pulp.

[**China**] *Jilin Chenming Paper* has begun testing a 180,000 t/yr newsprint and lightweight coated paper machine at its mill in Jilin City. Although the PM was delivered to the mill site in 2002, it remained in storage for four years while the facility went through a lengthy takeover process. The company is also erecting a 105,000 t/yr bleached softwood kraft (BSK) line at the mill, to complement an existing 70,000 t/yr BSK line that was recently brought back online.

[**Brazil**] *International Paper* finalized a \$110 million environmental investment at its Mogi Guaçu mill, which produces 365,000 t/yr of bleached hardwood pulp and 432,000 t/yr of uncoated woodfree paper. The project covered three areas of the plant: effluent treatment, recovery boiler and bleaching plant.

[**Sweden**] *Holmen Paper* has kicked off an upgrade of PM51 at its Braviken plant. The \$21 million project includes a modernization of the wire and dryer sections, improvements to the heating unit on the soft calendar as well as the installation of a new control system. The work is aimed at improving the quality of the mill's 180,000 t/yr production.

[**Finland**] *UPM* has laid the foundation stone for a new recovery island at its Kymi mill in Kuusankoski. The \$420 million investment will involve replacing two old chemical recovery lines with a single unit. This upgrade will yield better quality pulp, reduce fossil fuel carbon dioxide emissions (since a larger share of biofuels will be employed), and double the bio-electricity production capacity.



January 2007

[Bosnia] *Natron Hayat* is overhauling PM4 as well as the unbleached softwood kraft pulp line at its mill in Maglaj, northern Bosnia. This work is part of a plan to restore production at the plant, which was damaged during the 1992-1995 Balkans conflict. The mill will have a new woodyard and pulp washing, screening and evaporation equipment, while the continuous digester, recausticizing plant and lime kiln will be upgraded. The project also includes improvements to the mill's power plant, wastewater treatment system and non-condensable gases treatment system. The modernization project will cost \$84 million.

MERGERS, ACQUISITIONS & PLANT CLOSURES

[Quebec] *Société générale de financement du Québec (SGF)* announced that it is acquiring \$100 million of capital stock from *Cascades*. With this subscription, SGF is contributing to the acquisition by *Cascades* of the 50% interest held by *Domtar* in *Norampac Inc.*

[South Carolina & Quebec] Forest products companies *Abitibi-Consolidated* and *Bowater* announced that they will be merging to form the third largest publicly traded paper and forest products company in North America. The merged firm, which will be called *AbitibiBowater*, will own or operate 32 pulp and paper facilities, plus 35 wood product facilities. Once their forces are combined, they hope to start axing away overlapping costs in areas like production, sales, administration, distribution and procurement. It's expected the merger will save the companies about \$250 million annually.

[Germany] *Papierfabrik Palm* has bought *Mondi Packaging's* 25,000 t/yr Schwepnitz box plant in east Germany for an undisclosed sum. The mill generates \$32 million in revenue and employs 150. *Mondi Packaging* cites low profitability and market overcapacity as the reasons motivating its sale.

[Nova Scotia] After being out of commission for nearly a year, *Stora Enso's* Port Hawkesbury mill is once again up and running. A labor dispute dating back to December 2005 was finally resolved, resulting in the call back of all 600 employees and the start-up of both the mill's paper machines, which have a total capacity of 570,000 t/yr.

[UK & Ireland] *International Paper (IP)* has completed the divestiture of its corrugated packaging businesses in the UK and Ireland to the Spanish packaging firm *SAICA*. *IP* will retain its other converting operations, including plants in France, Italy and Spain, as well as joint ventures in Morocco and Turkey, and has stressed its commitment to the continued development of these enterprises.

[Indiana] *Caraustar* announced the coming closure of its paperboard mill in Lafayette. Approximately 75 workers will be affected as a result of the uncoated recycled boxboard manufacturing facility's closing.

[New Jersey] *Smurfit-Stone Container* closed its Teterboro corrugated box facility, resulting in the loss of 133 jobs. This move came about as part of the company's plan to restructure its box plant system, which will involve the closure of certain plants and the consolidation of others.

[India] A newsprint and packaging paper plant located in Kurnool was recently restarted after a seventeen-year shutdown. *Sree Rayalaseema* had to close down operations in 1989 due to financial difficulties. The firm changed hands in 1994, but a series of legal disputes with former workers and the original owners prevented the revival of the plant until now. Approximately \$8 million was recently spent overhauling the outdated facility, whose capacity stands at 130,000 t/yr.

[USA & Japan] *Marubeni Corp.*, one of Japan's largest general trading companies, acquired a 100% stake of the American paper distribution company *Integrated Resources Holdings*, which serves the catalog, direct mail and magazine industries. This move will create an outlet for Japanese suppliers such as *Oji Paper*, *Nippon Paper* and *Rengo*. *Marubeni* anticipates that shipments of coated mechanical paper from Japan to the USA will reach 300,000 t/yr.

[Illinois] *Stone Arcade Acquisition Corporation* announced that its stockholders have approved the Company's proposed acquisition of the *Kraft Papers Business (KPB)*, a division of *International Paper*. In connection with the acquisition of *KPB*, stockholders also approved amendments to *Stone's* certificate of incorporation to change its name to *KapStone Paper and Packaging Corporation*.



January 2007

[USA] In return for \$400 million, SCA signed an agreement for the sale of its North American packaging operations to *Metalmark Capital*. The operations in question comprise protective packaging, consumer packaging and temperature-assurance packaging solutions, generating approximately \$430 million in annual sales. The transaction is in line with SCA's strategy of streamlining while capturing growth in key markets, namely eastern Europe and China.

PRODUCT PRICE SUMMARY (US\$)

Product	Units	1995	2000	2004	2005	2006	2007E	Normalized Price	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	680	617	611	681	700	655	730	Rising
BEKP (Europe)	m. ton	867	652	526	587	642	640	585	670	Rising
Newsprint	m. ton	670	565	547	610	668	650	635	640	Falling
Uncoated Freesheet	sh. ton	990	755	676	727	823	800	730	810	Flat
Light Weight Coated	sh. ton	1,226	1,065	859	997	978	940	1,000	925	Falling
Linerboard	sh. ton	510	470	468	478	553	565	480	565	Flat
Lumber #2&Btr.	Mbf	250	295	394	353	296	285	320	247	Falling
OSB	Msf	245	205	369	319	218	180	215	150	Flat
Canadian Dollar	US\$	0.73	0.67	0.77	0.83	0.88	0.85	0.85	0.85	Falling

E= estimated

Sources: CIBC World Markets, KSH Consulting & RISI Info



January 2007

