



May 2006

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

Siam Pulp & Paper (SPP), Thailand, is progressing with plans to build a greenfield uncoated woodfree paper plant in Thailand's Khon Kaen province. The Baht 6.6 billion (\$175 million) project is expected to be finalized in July. Construction of the 200,000 t/a machine, which will produce 70-80 g/m² copy paper, is slated to begin in early 2007 with start-up to follow by the end of 2008. Phoenix Pulp & Paper's market pulp mill will provide the furnish.

Fraser Paper's, Edmunston is set to get a C\$8 million facelift. According to a report by the Telegraph-Journal, the company will spend C\$5.3 million to refurbish the recovery boiler and an additional C\$2.8 million on major maintenance projects.

Myllykoski, has signed a €275 million (\$352 million) loan agreement for its greenfield publication paper project in Opatovice-nad-Labem, in the Czech republic. Construction of the 380,000 t/a plant will begin this summer, with start-up slated for the third quarter of 2007.

Georgia-Pacific, is currently in the planning stages of the eventual installation of two tissue paper machines that will use TAD technology. The two installations would increase GP's production of premium products by roughly 180,000 t/a. The first machine, slated to start-up in 2007, will be installed in an existing mill, to serve the western U.S., whereas the second will cater to the southern and southeastern markets. The planned increase will offset the closure of 183,000 t/a of old machine capacity carried out last year.

ITC, India, will install a 120,000 t/a ECF pulp line at its Bhadrachalam mill in Andhra Pradesh state. Start-up is slated for the end of 2007 and will include oxygen delignification technology.

Wanemi CZ, Czech Republic, plans to build a new board mill with a biomass-fired power plant in an industrial zone in Zabreh. The project will cost CZK 2 billion (\$91 million) and will produce 100,000 t/a of testliner.

Progroup, Germany, plans to install a 650,000 t/a recycled medium machine in either Germany or Poland for start-up in the first quarter of 2009, making it the largest containerboard machine in the world. Work on the €500 million (\$600 million) project is slated to begin this fall.

Nippon Paper Industries, Japan, plans to install a new publication paper machine at its Ishinomaki plant. The firm has ordered a 350,000 t/a (PM6) with a wire width of 9.45m and a design speed of 1,800 m/min. Output will be lightweight coated in the 51-79 g/m² range.

Advanced Agro, has completed a feasibility study on the expansion of its mill in Thailand for an additional 500,000 t/a machine (PM3) and a corresponding pulp line. The Prachinburi mill currently has 2 BHK lines feeding a 500,000 t/a on two machines.

Implementation Phase

Shandong Chenming Paper Holdings, China has started installing a 400,000 t/a newsprint machine and a 1,500 t/day deinking line at its No. 4 mill in Shouguang city, Shandong province, China. Start-up is scheduled for the end of this year.

Foshan Huaxin Packaging, China, is moving ahead with the installation of a 300,000 t/a white-lined chipboard (WLC) machine at a greenfield mill in Zhuhai city, Guangdong province. Trial runs are scheduled to begin in September 2006 and commercial production is slated to follow in October 2006.



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Nexterra Energy Corp., Canada, announced today that it has signed an agreement with Weyerhaeuser's Kamloops Cellulose Fiber mill and Paprican, the Pulp and Paper Research Institute of Canada, to verify the application of Nexterra's innovative gasification technology for pulp mill lime kilns.

Guangzhou Paper Co., Ltd. has successfully started-up a newsprint machine in Guangdong province, China. The new Metso-supplied PM1 has a wire width of 5.3m and an operating speed of 1,400 m/min. It will produce 500 tons of newspaper daily.

MERGERS, ACQUISITIONS & PLANT CLOSURES

SAPPI, UK, shutdown its Nash mill in Hemel Hempstead, Hertfordshire, on May 5. The mill's one machine produced 36,000 t/a of uncoated woodfree paper.

UPM will close Voikkaa paper mill and Kymi PM7 during the third quarter of 2006. Tervasaari PM6 and the oldest pulp line will be closed during the second quarter of 2007. In addition, the company will cease production of coated magazine paper at Jämsänkoski PM4 and to convert it to produce label face paper at the beginning of 2007.

Smurfit Kappa Group, plans to take at least 200,000 t/a of capacity off the European recycled containerboard market by closing some as yet un-named high cost mills.

Otor, France, will shutdown two machines, removing 160,000 t/a of recycled fluting capacity. Investment is planned for the plant's remaining machine, PM5.

PRODUCT PRICE SUMMARY (US\$)

Product	Units	1995	2000	2003	2004	2005	2006E	2007E	Normalized	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	680	525	617	611	665	680	665	660	Rising
BEKP (Europe)	m. ton	867	652	502	526	587	629	595	620	640	Rising
Newsprint	m. ton	670	565	503	547	610	675	700	645	670	Rising
Uncoated Freesheet	sh.ton	990	755	628	676	727	820	800	725	840	Rising
Light Weight Coated	sh.ton	1,226	1,065	829	859	997	1,020	1,050	1,040	995	Flat
Linerboard	sh.ton	510	470	421	468	478	550	550	480	565	Rising
Lumber #2&Btr.	Mbf	250	255	278	394	353	335	325	325	315	Falling
OSB	Msf	245	205	380	369	319	270	220	220	237	Flat
Canadian Dollar	US\$	0.73	0.67	0.72	0.77	0.83	0.88	0.89	0.89	0.89	Falling

E= estimated