

Paper, packaging & forest products

European Market View

Dr. Dieter Kainz

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European Producers Prospective Drivers

- Raw material availability
- Exports to Overseas & Middle East and North Africa
- Demand, particularly eastern European countries
- Stock development

There is no separated European market anymore!
“We are operating on a global market”

European Producers Prospective

Demand

Positive:

Mid &
long term

- Eastern European development, Middle East & North Africa
- Environmental discussion, climate discussion
- Sustainability
- Timber cost competitive against other building materials
- To use wood for interior & exterior purposes become more fashionable

Negative:

Short term

- Oversupply
- Pipeline filled
- No price elasticity in most of the products
- Seasonal effect (Winter to come)

European Producers Prospective

Raw material availability

Northern Environment

- Scandinavia “stable environment”
- Finland:
 - Too high log prices
 - Currently driven by P&P, overcompensating lack of Russian fibre
 - Middle term shortage expected
- Baltic lack of raw material due to missing imports from Russia, domestic harvesting too low

Central European Environment

- Kyrill effect is continuing
- Oversupply of bigger low quality logs
- Lack of fresh, small logs
- Prices of low quality logs are not reflecting the market value

European Producers Prospective

Exports to Overseas, Middle East & North Africa

Overseas – Japan: (as main market for European exporters)

- Q3/Q4 overstocked due to intensive supply in Q2
- TLT shows record high → good indicator
- New housing regulations → housing allowance went down
- No price elasticity in the market (count - by volumes)
- Japanese Business culture: ! stop & go!
- Improvement expected in Q1/08 – normalisation (VAT discussion as driver still valid)
- Long term Russian volumes are increasing

China

- Effected negatively by slow demand in US & Japan
- Furniture exports have dropped considerably
- Competition from surrounding areas growing (Vietnam)

European Producers Prospective

Exports to Overseas, Middle East & North Africa

USA

- Most of the volumes were pulled out when the market turned bad and demand in Europe went up
- Market particularly for 2x4 has not recovered and will stay sluggish. Board market improving
- Very difficult to predict when the turnaround will take place?

ME-NA

- Currently overstocked, Ramadan is slowing down the market
- Basically very sound demand on middle term, because of favouring demographics and money in the market
- Increasing competition from Russia in Egypt

European Producers Prospective

Summary

- Market Outlook for European Producers good (“don't mix daily business with middle term business outlook”)
- Trend curve shows clearly upwards
- EU – Eastern Countries are boosting the average growth in demand
- Overseas Markets will stay as important factor for Europe
- Middle East – North Africa are on a permanent improvement path

Thank you for your attention!