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Consequences of Maturing Western European Tissue Markets

Growth Rates Substantially Down

Western European tissue consumption grew at a rate of only +1.1% in 2006 (for more details, see our story in WTBM #32, May 2007), which is the lowest growth rate recorded since the very bad recessionary year 1995 (+0.8%). Also the longer-term growth rate shows a clear downward trend:

	Growth Rate of Tissue Consumption - %/a -
1996 - 2006	+3.2
1997 - 2006	+3.0
1998 - 2006	+2.9
1999 - 2006	+2.7
2000 - 2006	+2.6
2001 - 2006	+2.5
2002 - 2006	+2.2
2003 - 2006	+2.1

The measured tissue consumption in 2006 may have been affected by stock changes at tissue mills and converters because of increased raw material and tissue prices, so the situation may not have been as bad as the 2006 statistics show. In any event, it is obvious that we have to adjust our Western European long-term growth rate forecast slightly downwards from the +2.8-2.9%/a level.

	Growth Rate of Tissue Consumption - % from previous year -
Germany (Jan.-Apr.)	+2.8
UK (Jan.-May)	+5.0
France (Jan.-May)	+2.2
Italy (Jan.-Apr.)	+3.7

The first months of 2007 have recorded positive consumption growth rates in the largest markets:

Tissue production has grown even faster in the largest European countries: Germany (Jan.-July +7%), the UK (Jan.-May +7.3%), France (Jan.-June +3.7%) and slightly less than consumption in Italy (Jan.-Apr. +3.2%). The German and UK figures are affected by investments that took place in late 2006. But is too early to say whether this good growth

will continue throughout 2007. It may be a reflection of the fact that with long-lasting high prices of raw materials, tissue stocks have been exhausted and production has had to grow in order to safeguard parent reel availability for converting operations.

Slower Growth, Fewer Investments

Investment activity in the Western European tissue industry has slowed down considerably in the past 9-12 months in terms of new projects announced.

There are still several ongoing investment projects, which will increase supply in this and the next year. But in the past few months, only some rebuild projects have emerged.

The problem is the uneven distribution of investments between the large markets. Spain has been driving the Western European tissue demand growth for 4-5 years, and as a consequence a crowd of investments were directed at the Iberian Peninsula. Currently the regional supply/demand balance shows a serious overcapacity. Market discipline has been disturbed and the situation will not ease out within the next couple of years.

Italian tissue companies have led the expansion in Western Europe since the mid-1990s. But now it is interesting to note that there is no single large tissue project ongoing in Western Europe by Italian companies. Only some rebuild projects have been announced by Italian companies (e.g. Kartogroup in France).

But IC Tronchetti will build its second PM in Poland next year. This is in Eastern Europe in our classification, although a large proportion of its production is likely to be sold in Western Europe. And the Sofidel Group started up three new tissue PMs within one year in Western Europe, and this capacity addition still influences the market balance. Financing of new, large investments may also become a restricting factor for family-owned Italian companies; particularly as in many cases the balance sheet is already highly leveraged.

Restructuring and Acquisitions to Continue

Tissue companies have had to react to the overcapacity situation and squeezing margins. The main pressure has been in companies which are stock-listed and whose quarterly results directly affect the development of share prices.

SCA and Kimberly-Clark are good examples of this: both companies have undergone major restructuring programmes, including both mill/machine closures and mill divestments through sales of mills to new owners. One may say that from a restructuring point of view, too many mills have been sold and not definitely closed.

The deal of the year in 2007 is certainly the proposed acquisition of Procter & Gamble's European tissue business by SCA. At the time of writing the investigations by EU authorities are still not yet completed, and we cannot surely say how the case will be ending.

The only alerting sign is that the investigation is to last the maximum possible time allowed by the competition watch dog, although the summer period may also prolong the period needed for the investigation.

Family-owned companies have benefited from the situation and purchased some assets which have been offered for sale by the multi-nationals.

The LPC Group of the UK utilized the opportunity and purchased the Roanne mill in France from SCA and the Duffel mill in Belgium from K-C. Wepa of Germany purchased the former Hakle mill in Mainz from K-C. Papierfabrik Horgen acquired K-C's Balsthal mill in Switzerland and renamed it Swiss Quality Paper Horgen

Balstahl. And most lately, the Italian Sofidel Group purchased the Werra Group from its private owners in an arrangement dictated by banks, if market rumours suggested as the reason of the deal are correct.

We expect the consolidation in Western Europe to continue, although very large deals are difficult to realise, as the case of SCA and P&G shows.

All eyes are directed to the operations of Georgia-Pacific Europe. Wild rumours circulate about their fate: some say that all mills will be sold and Koch Industries is to withdraw from Europe, whilst the other utmost opinion is that Koch will invest increasingly and develop the business further. But concentration of the business on a few (3-4) best mill sites and strong markets could also be a reasonable option for the next few years at least.

Will Brands Experience a Moderate Renaissance?

Retailer labels have continued their growth in most Western European countries during the past 10-15 years, and so far there has not been any end seen for this development. But carefully analysis of the latest PLMA statistics on retailer label developments shows that the pace of retailer label share growth has slowed down and even stopped in some countries (UK for example).

With very squeezed price margins in the retailer label business, tissue companies need to think how to maintain profitability and earn sufficient cash-flow for the investments, which are necessary in the current competitive situation. It is difficult to believe that brands would ever regain a similar position as in the USA today. Procter & Gamble, probably the most famous company in marketing of brands, already reached their conclusions and decided to divest their brands-only European tissue business.

But there are a few signs that some tissue companies expect something to happen. A clear indication was that SCA expressed their interest to purchase P&G's tissue assets at a price which we would describe as a "full" price for the business. SCA's plans are not known to us, but perhaps the company would like to achieve a better balance in its brands/retailer label portfolio, and through this change hope to improve profitability.

A second indication of the importance of brands for some tissue suppliers is the comment by Metsä Tissue's CEO Hannu Kottonen in a recent interview by Tissue World Magazine (June/July 2007): "We are clearly emphasizing our brands and I'm pleased to say that our brand sales have grown by 40% in the last four years. That trend is continuing this year as well with brand sales amounting to € 330 million."

One more reason for the growing importance of brands in the European business is the strong growth in sales in Eastern Europe and Russia, where strong brands are important for business development. Enhanced sales in Eastern Europe have certainly also contributed substantially to the growth that Metsä Tissue's Kottonen mentioned.

But perhaps the clearest indication of the recovery of brands is the fact that even Italian suppliers have started to promote their strong Italian brands abroad, particularly in Eastern Europe but also in some parts of Western Europe. In Germany for example, the Sofidel Group started to push its "Regina" brand into smaller eastern German retail shops already before the start-up of the group's Stendal mill. Meanwhile the "Regina" distribution has been expanded practically nationwide through some retailers (Edeka) and drugstore chains ("dm"). IC Tronchetti has also begun the promotion of its "Foxy" brand in Poland, with probably neighbouring markets to follow. And Kartogroup's "Perla" kitchen rolls have recently become available in some southern German hypermarkets.

We do not know how the current statistics of A.C. Nielsen and similar market research companies classify brand names such as those of Italian suppliers, but probably they belong to the "no-name" category rather than the branded category. This means that their sales may be summed together with retailer label sales, which enhances the apparent share of retailer labels further. This is not 100% correct in our opinion.

Vaaho Offering Complete Tissue PM Range

Vaaho Pulp & Paper Machinery – Strength behind New Venture

Vaaho Pulp & Paper Machinery is a subsidiary of Vaaho Group, a globally operating high technology company serving processing industries in the fields of pulp and paper machinery and processing machinery. The private company was established in 1874 and is currently managed by the fifth generation of the Vaaho family.

Vaaho Group Plc Oyj's shares are listed on the Helsinki Stock Exchange. Vaaho Group's turnover was some US\$ 100 million in the financial year 2005-2006. The first half of the 2006-2007 financial year recorded a major turnover increase of 30% compared to the same period in the previous year. The number of personnel is an average of 410.

Vaaho Group has over the years grown through acquisitions and today it consists of five companies: Pulp & Paper Machinery division's Vaaho Oy, AK-Tehdas Oy and AP-Tela Oy, as well as Process Machinery's Japrotek Oy Ab and Stelzer Rührtechnik Int GmbH. In the financial year 2005-2006 the Pulp & Paper Machinery division accounted for some 59% and the Process Machinery division for 41% of the group's turnover, but the shares vary somewhat from year to year depending on the order situation. Other operations include the design and production of HVAC (Heating, Ventilation and Air Conditioning) products, custom engineering services, and contract manufacturing.

Vaaho Pulp & Paper Machinery boosts the competitiveness of its global customers' businesses and production processes by developing their core processes through the provision of innovative, added value-generating systems solutions, machinery and services.

A key factor is that the company can offer an extensive, high-tech product range from single components to entire production lines, both rebuilds and new machines, tailored according to customer needs. Vaaho's range also includes complete roll service, roll covering, maintenance and spare parts for the paper industry. Installation, training and start-up services are also offered according to customer needs.

The knowledgeable personnel and geographically expanding operations give this process an even stronger basis. The Chinese subsidiary based in Shanghai has just started operations improving local delivery and service capacity greatly. The operations in Russia have also started successfully, and the results have been very promising.

The rapid growth of Vaaho Pulp & Paper Machinery division continues by entering new market areas and launching new products. The past few years have marked rapid developments in R&D investments and this trend continues. The nearly 20 patents and patent applications made in the past 12 months for new Vaaho products such as Vaaho Center Reel and Vaaho Sizer, or improvements made to existing Vaaho products such as Shoe Presses, Formers, Wire Sections and Headboxes to be used in tissue making, as well as on board and paper machines, promote this development.

Tissue Machines Added to the Product Range in 2005

Despite having previously been best known as a supplier to board and paper mills Vaaho Group's Pulp & Paper Machinery division has in the past few years made an interesting addition to its product range by launching a tissue machine range.

The tissue world has been familiar to Vaaho Group through its AK-Tehdas, which, for years, has been a supplier of rolls, roll covers and maintenance services to several Nordic tissue mills (customers such as Georgia-Pacific, SCA and Metsä Tissue) and gained in this way a lot of experience of the problems and technical solutions related to tissue making.

As the tissue business has shown a strong and continuing global growth, particularly in important market areas for Vaahto, such as China, Vaahto decided that it was time to offer the global customer base a fresh alternative. The company also realised that it would have the knowledge and ability to manufacture almost all of the critical components of a tissue machine, particularly the headbox, former section, press section, reel and pulpers. A tissue PM project is also much smaller than a complete new board machine project and thus easier to manage from a resources point of view. All in all, Vaahto and tissue machines make a good fit.

Vaahto did not make much noise about its tissue machine plans but started gradually to participate in tendering rounds for tissue machine projects. A complete tissue PM design concept was added to the company's product range in spring 2005. Based on company size, Vaahto compares to medium-size suppliers of tissue machines.

Headbox Technology and Project Competence Key Trump Cards

Juha Luhtalampi, head of Vaahto's tissue business says: "The tissue machine concept is based on Vaahto's strong competence in the manufacture of paper and board machines, as well as speciality paper machines. It is backed by the company's solid experience in handling international projects. Tissue production lines are an excellent supplement to Vaahto's production programme, thanks to their compact size.

Vaahto is able to offer all the major components for the tissue manufacturing process. Vaahto's headbox technology, in particular, supports the manufacturing processes offered to global customers.

"The majority of the components used in the tissue machine concept are the result of well-proven Vaahto Technology from different board and paper machine projects. The "Vaahto HQT" tissue machine headbox is a good example of how our proven technology can be applied to tissue machines. The design of the HQT Crescent former headbox has been based on the highly patented structure of our very successful hydraulic HQ headbox series: we have been able to maintain the same distribution channel, equalizing chamber and turbulence generator structure in the tissue headbox design," Luhtalampi explains.

He continues: "In our HQT Crescent former headbox we have developed the design further so that the apron lip can be moved horizontally. This is a good addition in gap former headbox design, ensuring effective adjustment of the jet and giving short free jet length. All this ensures that the "Vaahto HQT" headbox produces good sheet formation and good CD profiles, which enables uniform coating on the Yankee cylinder and through this, good paper machine runability and good paper quality."

The "Vaahto HQT" tissue machine headbox is available with or without consistency control (HQTC version) for all machine types. All Vaahto tissue paper machines are designed to produce tissue paper with furnishes ranging from 100% virgin pulp to 100% recovered fibre and basis weights from 12 g/m² to 45 g/m². They are normally designed with one press roll, but double press and Vaahto shoe press solutions are also available.

Vaahto has also developed good contacts with renowned component suppliers and along with its own production resources a complete tissue machine delivery also includes the following components:

- Yankee cylinder
- Hood and process air system
- Dust and mist removal system
- Stock preparation and deinking plants
- Fibre recovery

In stock preparation area, Vaahto will supply its own pressure screens for stock preparation, deinking plants and short circulation, as well as its own pulpers and tank/chest agitators for stock preparation and short circulation.

Vaahto Tissue Machine Range

Vaahto's tissue machine offering is extensive from small, less capital-intensive machines to full-size and full-speed machines. The company offers reliable and functional solutions for all the needs of tissue paper manufacturers. The current tissue line development is aimed at product fine tuning and improving machine runability.

Special attention has been paid to developing viable small and medium-sized machines especially suited for the needs of emerging markets. Less capital is tied up, and the output of the machine can be optimised to suit the specific needs of each regional market area, making the Vaahto Tissue Machine an attractive alternative for both newcomers and established tissue makers entering new geographical market areas.

The theoretical capacities (with 20 g/m² paper) range from 70 t/d to 225 t/d. The machine versions and their brief descriptions are:

Vaahto TMS 70

- sheet width 2,800 mm
- design speed 1,200 m/min
- Yankee diameter: 3,658 mm (12 ft)
- theoretical capacity: 70 t/d

Vaahto TMS 90

- sheet width 3,800 mm
- design speed 1,200 m/min
- Yankee diameter: 3,658 mm (12 ft)
- theoretical capacity: 90 t/d

Vaahto TMF 90

- sheet width 2,800 mm
- design speed 1,800 m/min
- Yankee diameter: 4,572 mm (15 ft)
- theoretical capacity: 90 t/d

Vaahto TMF 125

- sheet width 3,800 mm
- design speed 1,800 m/min
- Yankee diameter: 4,572 mm (15 ft)
- theoretical capacity: 125 t/d

Vaahto TMF 225

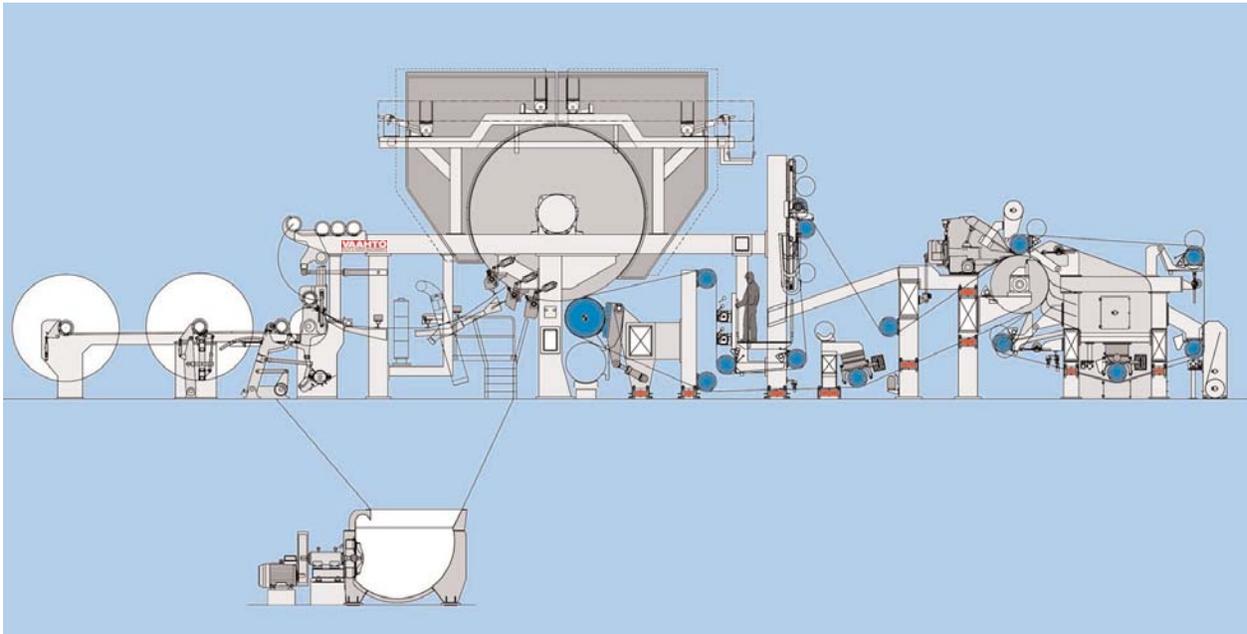
- sheet width 5,600 mm
- design speed 2,100 m/min
- Yankee diameter: 5,486 mm (18 ft)
- theoretical capacity: 225 t/d

First Reference Important but No Dumping Price

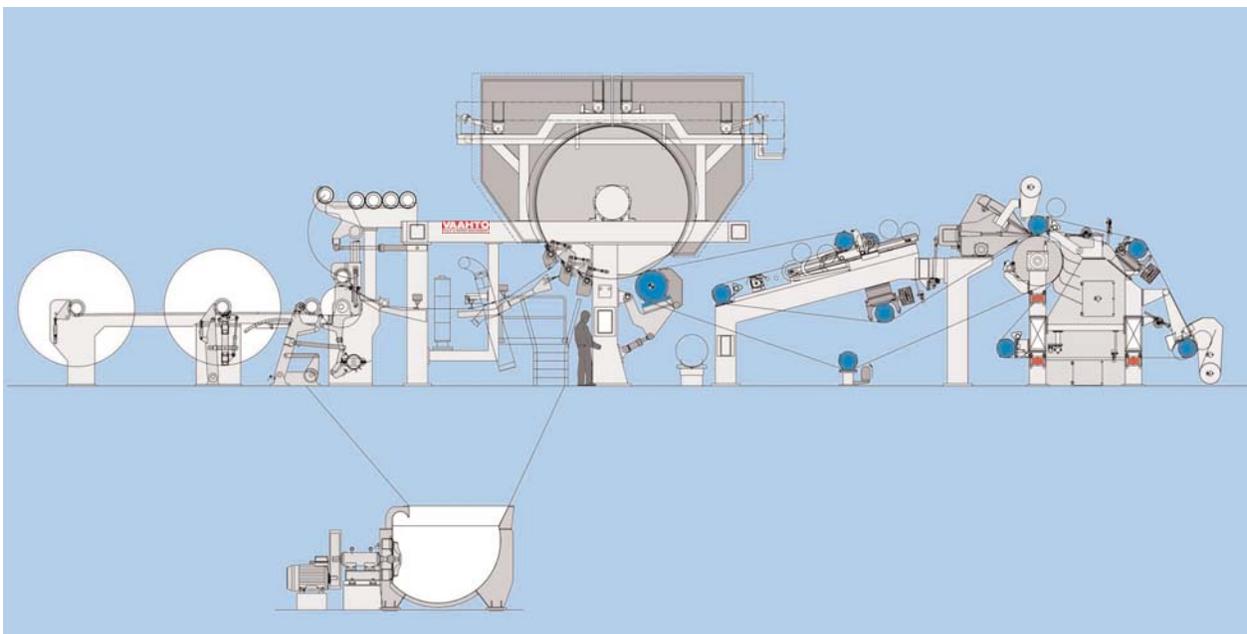
Vaahto's decision to join tissue PM suppliers is challenging, as there are already so many tissue PM suppliers in the world. The number of suppliers did not decrease but rather increased after Beloit's bankruptcy in 1999-2000 (PMT Italia and PMPoland rose from Beloit's ashes). But for tissue companies, a new supplier is welcome.

As always in the machinery business, the first reference is extremely important. Vaahto has already made a number of tissue machine offers to several companies in various world regions and continuously develops further projects, but at the time of writing no first complete PM or major rebuild deal had been won.

Vaaho TMF 90 Tissue Paper Machine



Vaaho TMS 70 Tissue Paper Machine



CEO Antti Vaaho agrees it will be important to get the first major project but on the other hand states: “We would like to have the first tissue machine reference soon, but we are not willing to take it at any price. We are confident in our position because of our experience with tissue machine rolls and our strong technological background. We believe this offers undeniable benefits to tissue customers.”

Perhaps the above-mentioned technological confidence will be the key for achieving the goal; maybe Vaahto's first reference will come from some company already having good experiences with Vaahto in other business areas, particularly board machine projects. Another likely possibility is a tissue rebuild project with headbox and Crescent former changes. The opportunities for Vaahto are certainly there, as the tissue industry continues to expand rapidly and there are always entrepreneurs curious to try something new. We will follow the situation and report when the first deal has been made.

Hungarian Tissue Market Update

Recent Market Trends

The Hungarian tissue market has grown rapidly, as most of the Eastern European tissue businesses, and is now approaching the 100,000 t/a benchmark. There have been some variation from year to year, but the average growth of more than +5%/a in 1998-2006 has made the market attractive for various European suppliers.

Tissue consumption has grown by more than 30,000 tons but domestic tissue production not at all in the past eight years, in spite of the fact that a small new mill was opened in 2002. Imports from neighbouring countries, particularly from Slovakia, Germany, Austria and Italy have grown rapidly, reflecting also the increasing demand for high-quality, virgin pulp-based products in the country.

It should be noted that since Hungary's entry to the EU in 2004, the domestic Hungarian import statistics seem not to be recording all imports of tissue goods. We have cross-checked the trade flows and decided to use exporting countries' statistics for Hungarian tissue imports. In 2006 Hungary's import statistics ignored about 10,500 tons of converted product imports and 9,500 tons of parent reel imports.

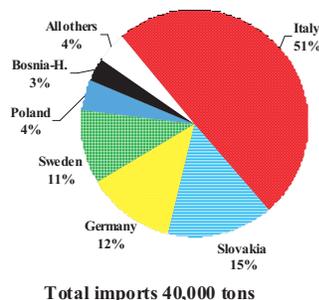
Hungary's tissue exports have also grown rapidly since EU entry, and accounted for more than three-quarters of domestic production in 2006. Almost 90% of exports are converted products, the main destinations being Germany and Romania. This is largely affected by the relatively low quality of domestic production.

Rising quality standards and tightening competition have obliged the main Hungarian tissue producer, Piszkei Paper of the Zeritis Group, to export its crepe production increasingly to emerging markets and partly serve as sub-contractor to major European AfH tissue suppliers, including SCA.

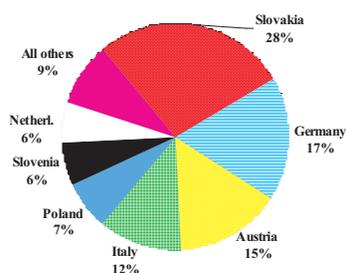
Current Market Structure

The consumer sector is estimated to account for 77% and the AfH for 23% of total tissue consumption. The AfH toilet and towelling sectors have grown particularly rapidly in recent years. However, a transparent

Hungary's Main Tissue Parent Reel Import Sources 2006



Hungary's Main Converted Tissue Product Import Sources 2006



Total imports 50,000 tons

distinction between the consumer and AfH businesses is difficult as many smaller companies, institutions and restaurants buy their needs through hypermarkets or discount stores.

The toilet tissue segment has benefited mostly from increasing quality requirements. The share of white tissue rolls has exploded in retail outlets in the past few years, whilst demand for recovered paper-based grey toilet paper has been declining.

Hungary's retailing is relatively developed and internationalised, and multi-national chains distribute the same high-quality (white) products in Hungary as in Germany or Austria.

The share of hankies/facial tissue is high by international comparisons, as elsewhere in Central Europe (Germany and Austria are the world's leading consumers of hankies in per capita terms). But there has been no growth in this tissue end use in Hungary in recent couple of years.

Hungary's tissue market growth has reached the phase when the demand for towelling products tends to grow fast. The consumption of towels has practically doubled in five years from 2001 to 2006, including both consumer kitchen rolls and AfH uses (folded hand towels and industrial towelling rolls).

Recent Trends in the Hungarian Tissue Market 1000 tonnes

Year	Production	Imports*	Exports*	Consumption
1998	33	36	5	64
1999	32	37	5	64
2000	35	40	5	70
2001	35	48	4	79
2002	37	54	7	84
2003	39	56	9	86
2004	37	67	10	94
2005	34	76	13	97
2006	31	90	24	97
%/a 1998-2006	-0.8%	12.1%	21.7%	5.3%

* Includes converted products

Tissue Consumption by Product and Market Segment in Hungary 2006

1000 tonnes

Product	Consumer Demand	AfH Demand	Total Demand	kg/capita
Toilet tissue	48.0	7.0	55.0	5.5
Facial/Hankies	11.5	0.5	12.0	1.2
Towelling	11.0	8.0	19.0	1.9
Napkins	4.0	4.5	8.5	0.9
Sanitary and Other	0.5	2.0	2.5	0.3
Total	75.0	22.0	97.0	9.7

Supply Structure and Expected Developments

There are today two domestic tissue mills in Hungary: Piszkei Paper Mill in Labatlan, close to the Slovakian border, owned by the Greek Zeritis Group; and Paper & More in Tököl, close to Budapest. Piszkei's base paper production is "old type" crepe toilet paper and MG table napkin paper on two machines which have a total capacity of 40,000 t/a. Actual production has recently been much lower, reportedly only 26,000 tons in 2006. Zeritis closed another mill in Szentendre sometimes during 2005, which had been producing a few thousands of tons MG tissue.

Paper & More is a small 9,000 t/a "Modulo" mill from Toscotec which was started up by two converters (state-owned Nova Papir and Duna Papir) in 2002 but which has not been running at full capacity. They use recovered paper in furnish, mostly high-quality material from printing plants, although the facility also hosts a deinking plant. The curiosity is that the mill and related converting plant are actually located in a penitentiary. For this obvious reason, the operation of facilities has not been smooth.

There is actually also a third, very small tissue mill with a production of probably some 2 t/d, located in Tiszacsege in eastern Hungary.

This tiny (500-700 t/a) mill is operated by a Debrecen-based recovered paper collector and trader who purchased a small and old PM from Szolnok and now produces small quantities of low-quality parent reels for local toilet paper converters, such as Zento in Abaujszanto.

A major part of the Hungarian tissue business is in the hands of independent converters, who purchase parent reels mainly from abroad (40,000 t/a imports). We can identify more than 20 converters in Hungary, of which Forest Papir in Lábatlan is by far the largest with an approximate use of some 14-15,000 t/a of parent reels. Of the other larger converters Müller Papir (7-8,000 t/a) and Vajda Papir with recent investments in new converting equipment are also to be mentioned, whilst Bock-Net has moved/sold most of its activities into the Slovakian side of the border.

The most interesting forthcoming development in the Hungarian tissue supply is the new greenfield tissue mill of Higi Papersoft, which is under construction in Szolnok, some 100 km southeast of Budapest. The mill site was moved a couple of times, but now the 25-27,000 t/a mill project is already well advanced. The buildings are ready and the main elements of the 2.8 m trim Over Meccanica tissue PM have already been installed. The project has been delayed for a few months for various reasons, but based on current plans it is expected to come on stream towards the end of 2007.

The new mill will use virgin pulp as raw material and be able to provide high-quality parent reels to domestic converters as an alternative to imports from more distant sources, such as Italy and Slovakia. Part of Higi's tissue production will be converted on-site.

The current Hungarian supply pattern is expected to change to some extent, as domestically converted products will be increasingly competitive in quality with the main foreign suppliers, such as SCA and Kimberly-Clark, who import their products from other European mills to Hungary.

Eastern European Tissue Consumption 2006

Strong Growth Continues

Based on our latest updated figures, Eastern European tissue consumption grew at a rate of +7.5% in 2006. This growth rate shows that tissue consumption continues its strong growth in the region, although the 2006 growth is somewhat below the 2005 and 2004 growth rates.

We have updated some countries with new, most recent trade and production information, which has become available to us (Belarus in particular but also some smaller countries). Some figures may still change, but these will be rather marginal statistical revisions only.

Eastern Europe used to be a small net exporter to tissue to Western Europe throughout the 1990s, but now shows net imports needs of some 38,000 tons in 2006. Poland, Slovakia, Slovenia and the Ukraine are major exporters, but their exports are more than balanced by the import needs of Russia, the Czech R., Hungary and Croatia.

Eastern European Tissue Consumption by Country 2006

1000 tonnes

Country	Production	Imports	Exports	Consumption	%/a
Albania	1	5	0	6	20.0
Armenia	0	3	0	3	±0.0
Azerbaijan	0	3	0	3	±0.0
Belarus	17	5	7	15	25.0
Bosnia-Herzegovina	33	10	29	14	-6.7
Bulgaria	34	9	10	33	10.0
Croatia	0	42	0	42	5.0
Czech Republic	21	98	35	84	2.4
Estonia	0	14	2	12	33.3
Georgia	0	6	0	6	20.0
Hungary	31	90	24	97	±0.0
Latvia	0	14	1	13	8.3
Lithuania	15	10	6	19	5.6
Macedonia	0	7	0	7	±0.0
Moldova	0	3	0	3	±0.0
Poland	355	92	198	249	8.3
Romania	64	23	9	78	14.7
Russia	194	81	10	265	8.6
Serbia-Montenegro	10	29	4	35	12.9
Slovakia	136	25	124	37	±0.0
Slovenia	70	28	68	30	3.4
Ukraine	87	11	43	55	12.2
Total	1068	608	570	1106	7.5

Russia and Poland are the two largest markets in the region, accounting for some 46% of the regional consumption in 2006. In both countries tissue consumption grew by more than 8% in 2006, which contributed largely to the regional average growth rate. Russian tissue consumption has probably been slowed down by the fact that the large domestic projects have been delayed, for mostly bureaucratic reasons, and there has been a temporary lack of parent reels at domestic converters.

Slower Growth in Central Eastern Europe

Tissue consumption showed clearly slower growth in Central Eastern Europe, where per capita consumption is higher than on average in the region. Hungary and Slovakia recorded statistically no growth at all, and growth rates in the Czech Republic and Slovenia were similar to those in Western Europe.

The newest EU members Bulgaria and Romania seem to have benefited from their membership and recorded high growth rates: Bulgaria 10% and Romania almost 15%. Per capita consumption of tissue is in both countries still at a relatively low level, and there is a lot of growth potential before their tissue consumption patterns approach the average EU level.

Mixed Developments on the Balkan Peninsula

Serbia and Montenegro (though separated, we count them still together for purely statistical reasons) continue to have strong tissue consumption growth, boosted by new domestic capacity (Drenik), which however seems to have pushed some older domestic capacity out of the market (Božo Tomic).

Growth in Eastern European Tissue Consumption by Country 1000 tonnes

Country	2003	2004	2005	2006	%/a 2003-06
Albania	4	4	5	6	14.5
Armenia	2	3	3	3	14.5
Azerbaijan	1	3	3	3	44.2
Belarus	8	10	12	15	23.3
Bosnia-Herzegovina	13	10	15	14	2.5
Bulgaria	27	28	30	33	6.9
Croatia	34	36	40	42	7.3
Czech Republic	74	81	82	84	4.3
Estonia	9	9	9	12	10.1
Georgia	3	4	5	6	16
Hungary	86	94	97	97	4.1
Latvia	10	11	12	13	9.1
Lithuania	15	17	18	19	8.2
Macedonia	6	7	7	7	5.3
Moldova	2	2	3	3	14.5
Poland	168	191	230	249	14
Romania	56	63	68	78	11.7
Russia	207	229	244	265	8.6
Serbia-Montenegro	28	27	31	35	7.7
Slovakia	34	35	37	37	2.9
Slovenia	27	28	29	30	3.6
Ukraine	40	41	49	55	11.2
Total	854	933	1029	1106	9.0

Serbia's tissue imports have continued to grow, and therefore Drenik has already decided to purchase another, larger tissue machine.

Tissue consumption continues to grow at a rather even rate of some +5%/a in Croatia, which is now one of the largest European countries without its own tissue capacity. But mills in the neighbouring countries (Italy, Slovenia and Bosnia-Herzegovina) are close enough to supply the geographically wide-spread country.

Tissue consumption has varied in Bosnia-Herzegovina from year to year (possibly also for statistical reasons), and 2006 showed a small decline. Macedonia and Moldova recorded no growth, whilst increased imports helped Albania's and Georgia's consumption to new records.

Substantial Volume Growth

Volume growth in Eastern European tissue markets has been substantial: in 2004 79,000 tons; in 2005 96,000 tons; and in 2006 77,000 tons. The 2006 volume growth was even more than in Western Europe (70,000 tons). The total market size of 1.1 million tons and continuing growth of +7-8%/a will soon increase the annual volume growth to 100,000 tons and even more.

Eastern Europe continues to be a rather small market area with numerous independent countries, which makes it difficult to manage sales and logistics of tissue deliveries.

But the potential of this market area should not be underestimated, as growth prospects are good and there is a population base of some 350 million, only 45 million people less than in Western Europe.

Latest Tissue Trends in Oceania

Still Potential for Market Growth

Oceania's tissue consumption growth has accelerated in recent few years and shows a growth trend of +3.3 %/a since 2000. Australia's market is the most dynamic, on which the efforts of the main suppliers concentrate.

Per capita tissue consumption in Australia and New Zealand is slightly below the Western European average, lagging between 14 and 15 kg/head. Tissue consumption on the Pacific Ocean Islands (Fiji, Papua New Guinea, Tonga etc.) is still low and on average does not reach the 1 kg/capita level.

An important feature is that most of the growth in the regional tissue market since 2000 has been covered by increased imports from Asia, mainly from Indonesia and China. Oceania's tissue imports grew from

Recent Growth of Tissue Consumption in Oceania

1000 tonnes

Year	Australia	New Zealand	Rest of Oceania	Total Oceania
2000	235	53	6	294
2001	236	58	6	300
2002	235	62	6	303
2003	248	58	6	312
2004	259	62	7	328
2005	272	61	7	340
2006	290	61	7	358
%/a 2000-06	3.6	2.4	2.6	3.3

83,000 tons in 2000 to 142,000 tons in 2006. China and Indonesia accounted for 55% and the internal trade between Australia and New Zealand for 27% of total imports in 2006.

Independent converters and smaller companies have used the opportunity to purchase low-priced tissue parent reels from China and Indonesia and been able to compete against the two dominating players, Kimberly-Clark and SCA with their pricing policies connected with good quality products based on virgin pulp.

Particularly parent reels from Indonesia have been US\$100/ton and even more below the average import price, according to imports statistics.

Both the two largest players – K-C and SCA – have rationalised their operations in Oceania recently. K-C Australia concentrated its all tissue operations at a single site and SCA closed the smallest and most inefficient PM at their Box Hill mill in Melbourne.

ABC Tissue Challenging the Leading Players

ABC Tissue has been a quiet but efficiently working company expanding their business rapidly. ABC has been one of the purchasers of tissue parent reels from Asia but also acquired a domestic mill in Queensland and decided to invest in a modern tissue PM installed at its Wetherill Park converting facility, Sydney.

The new 3.4 m trim, 32,000 t/a A.Celli tissue PM has reportedly been running trials but there is no official confirmation whether the PM has already reached full commercial production.

ABC Tissue may also not have a rush with the operation with the PM, as the current high value of the Australian dollar makes parent reel imports attractive. The import statistics show that at least until June 2007, there has been no drop in parent reel imports from China and Indonesia.

ABC Tissue has been able to develop a good, three-ply toilet tissue brand “Quilton”, which has been successful as being a high-quality virgin pulp-based product but with lower price points on the shelf than the leading TAD tissue-based products offered by K-C and SCA.

Production and Foreign Trade of Tissue in Oceania 2006

1000 tonnes

Country	Production	Imports	Exports	Consumption
Australia	214	97	21	290
New Zealand	57	38	34	61
Rest of Oceania	0	7	0	7
Total Oceania	271	142	55	358

Environmental Dispute Threatening Imports from Asia

Asia Pulp & Paper (APP) is the main supplier of tissue from Asia from its mills in both Indonesia and China. APP has targeted both Australia and New Zealand with its products and sells both parent reels and converted products in the region.

APP’s advantage is, in spite of the relatively high transport costs, the integration with world-class hardwood pulp mills both in Indonesia and China. It is not clear what kind of transfer pricing the company uses between its pulp and tissue mills, but the company is famous of its flexible pricing, if such is needed.

In May 2007 APP purchased Cottonsoft, an independent tissue converter in New Zealand. This converter had already been sourcing most of its parent reels from APP and APP may have purchased the company in order to safeguard parent reel deliveries to the company (see also WTBM #32, May 2007).

The “big bomb” for APP was however that the largest Australian supermarket chain, Woolworths, decided to withdraw its entire “Select” range of retailer label products from shop shelves in late August 2007.

This was made in order to clarify in more detail the environmental sustainability and social responsibility principles of these products made abroad after critics by environmental organisations (see also the news section of this issue). APP has been the supplier for the “Select” range and the products have been environmentally labelled with fibre coming from sustainable forests.

It is fully possible, or even likely that further investigations will confirm that the environmental label attached to the packages of “Select” is misleading and that APP’s mills in Asia do not fulfil the strict criteria set for such labelling. We think this would mean a major problem for APP’s tissue business in both Australia and New Zealand.

In case that APP will not stand through the review on WWF and other environmentalists, who would be the likely winner of the case? Most likely the smaller Australian suppliers, including ABC Tissue, Encore Tissue and Merino, would have improved chances to get into Woolworths’ retailer label business.

ABC Tissue would be particularly happy as their new PM is just on its start-up curve and getting a major Woolworths account would facilitate to fulfil the PM capacity with orders.

Recent Tissue Industry News Worldwide

North America

Blue Heron Restarting Wet Crepe AfH Towelling Machine

Blue Heron Paper Co. has restarted a heavy-weight wet crepe AfH towel paper machine at their mill in Oregon City, Oregon, US Northwest. Trial runs began in July 2007 and progress has been good, our sources say. We estimate the PM capacity at some 65 short t/d (about 20,000 metric t/a).

Blue Heron operates three other PMs in Oregon City with a total capacity of some 244,000 short t/a (221,000 metric t/a), producing standard newsprint, uncoated mechanical grades and bag papers based on DIP and TMP. The restarted PM is the mill’s PM2, which was originally installed in 1910 to produce light tissue and fruit wrapping grades. The Yankee cylinder of the PM has a diameter of 9 feet (2.7 m) and it is reportedly an old Beloit construction which had been idle in storage for several years.

K-C’s and P&G’s TAD Machines Operational

Our sources in the United States tell that both Kimberly-Clark and Procter & Gamble have started up their new TAD tissue machines during summer. There are few details available but both machines are having good, record-setting start-up curves.

Kimberly-Clark’s 70,000 metric t/a UCTAD tissue PM at the Beech Island, South Carolina was delivered by Metso Paper. We had originally scheduled the start-up for the fourth quarter, but it came on stream already in July. Reportedly the PM exceeded in trial runs the speed of 6000 ft/min (1,800 m/min) but now the speed has settled down to “normal” TAD machine speed levels (max. 1,400-1,500 m/min).

Procter & Gamble’s 80,000 metric t/a PM at the Fox River mill in Green Bay, Wisconsin, was delivered by Andritz. The only comment that we received from an anonymous source is: “the start-up is exceeding all benchmarks.”

Von Drehle Successfully Restarted Cordova's PM2

The von Drehle Corporation has successfully completed the start-up of PM2 at their newly acquired former Laurel Hill facility in Cordova, North Carolina. The Metso "Advantage DCT-100" paper machine began production on Thursday, July 12th at 8:30 pm. The machine started producing 9 lb. bathroom tissue.

"The start-up couldn't have come at a better time as the market supply of parent rolls of tissue is extremely tight," said Raymond von Drehle, Chairman of the Von Drehle Corporation. "This additional production capacity will help insure that we continue to provide a prompt, reliable supply of towel and tissue products to our customers. The fact that we fully staffed this facility, made significant improvements to the equipment, and started up in just six weeks from the date of purchase is a testament to the quality and dedication of our employees."

The von Drehle Corporation completed the purchase of the 100-acre, 400,000+ square feet facility on May 29, 2007. The facility includes two paper machines capable of producing in excess of 50,000 tons per year of tissue and towel parent rolls. The second paper machine is being rebuilt to expand the grades that it will be able to produce and is slated for start-up the first quarter of 2008.

The Von Drehle Corporation directs manufacturing and distribution facilities from its national headquarters in Hickory, North Carolina, with production facilities in Cordova, North Carolina, Maiden, North Carolina, Memphis, Tennessee, Miami, Florida, and Las Vegas, Nevada.

Andritz Confirms SCA's Barton PM14 Delivery

SCA Tissue North America, one of the largest manufacturers of disposable napkins, bathroom tissue, towels and wipers for North American AfH tissue markets, placed an order with Andritz to supply a second tissue machine for their Barton, Alabama mill in US South.

Andritz will supply the recovered paper feeding and de-wiring equipment, a complete 350 t/d MOW (mixed office waste) deinking system, the approach flow system, water clarification, and a new 5.5 meter "PrimeLine™" Crescent former tissue machine. A new "FibreFlow Drum" pulper will be installed as part of the fibre preparation system.

The machine will have a design speed of 2000 m/min and will consist of two-layer headbox with dilution control, a Crescent former with patented pick-up system, a "T-rib" Yankee dryer, an "EquiDry" Yankee hood, a sheet support system with dust removal, and a "PrimeReel". This new machine will complement the existing Andritz machine supplied to SCA in 2004.

The Barton mill currently manufactures 100,000 tons of tissue each year. With the new machine, annual production will increase to 170,000 tons. Start-up of the new machine is planned for the summer of 2008.

Apollo Capital Partner in Marcal's Reorganization

On June 25 Marcal Paper Mills Inc. announced that it has filed its proposed Plan of Reorganization with the United States Bankruptcy Court for the District of New Jersey. The announcement included a statement that Marcal has secured a US\$ 60 million commitment from Apollo Capital Management, L. P. This investment is a key component of the Company's restructuring efforts.

Company Chairman and CEO Nicholas Marcalus said: "I am particularly pleased that, under the Plan, the Marcalus family will partner with Apollo to allow Marcal to reach new heights. We expect that the Company will successfully emerge from Chapter 11 in September 2007. In the interim, we remain focused on providing superior service to our customers, strengthening our core businesses, and solidifying our position in the marketplace."

Under the Plan, unsecured creditors, who support the economic terms, are projected to receive 52% on the dollar on their unsecured claims. Members of the Marcalus family and Apollo Capital Management will together invest more than US\$ 11.5 million, plus other forms of consideration, to acquire and hold 100% of the capital stock of a new holding company, which in turn will own 100% of the outstanding shares of a reorganized Marcal Paper Mills.

Second 2007 AfH Price Increase Announced in the USA

Led by SCA, all the major North American AfH tissue suppliers plan to raise their sales prices by 6-12%. SCA announced a price increase of up to 10%, effective September 7, 2007, and Kimberly-Clark followed with practically similar rise for their AfH tissue and towelling products, effective October 1, 2007.

Bay West (Wausau Paper) announced a price increase of up to 9% for orders received after September 18, and shipments on or after October 1, 2007. It also announced that non-guaranteed end user contract pricing will be increased effective November 1, 2007 whilst prices with fixed expiration dates will be adjusted upon the date of expiration.

At the time of writing, no official price increase announcement was yet seen by Georgia-Pacific, but verbal comments from our sources indicate a 6-8% price increase by G-P, effective late September – early October 2007, except fixed price contracts (a large proportion of G-P's AfH business) being adjusted after expiration of the contract period.

AfH tissue makers want to recoup costs from an ongoing peak in market pulp and recovered paper prices, which typically account for 60-70% of the manufacturing costs of AfH tissue and towelling products.

Additional Parent Reel Price Increase Expected in the USA

The tightness of the tissue parent reel market in North America has permitted producers to react quickly to pulp and energy price increases. We are informed by well placed sources that another round of price increase announcements can be expected in September, ranging from US\$ 50/short ton to US\$ 100/short ton. This means that during 2007 leading parent reel suppliers have seen prices going up by an average of US\$ 195/short ton.

The tightness is caused by a number of various issues, including that some 3% of North American capacity has been idled or underperforming, and that the parent reel contract for some 100,000 short t/a between Georgia-Pacific and SCA has recently expired, obliging SCA to purchase increasing quantities on the open market.

No immediate relief in the situation can be foreseen, and the tightness may continue well into 2008. Parent reel imports from Asia have been increasing but shipment schedules have been uncertain, causing U.S. converters to reduce orders from Asia and to accept higher pricing for reels from North American sources.

Marcal Settles River Cleanup Claim

Bankrupt Marcal Paper Mills will pay US\$ 3 million to the U.S. federal government to settle a claim concerning alleged pollution along a section of the Passaic River in northern New Jersey, the company said in a press release on July 27, 2007.

Originally, the U.S. Environmental Protection Agency (EPA) filed a US\$ 946 million claim against Marcal Paper. Marcal Paper operates 100% recycled fibre-content tissue mill in Elmwood Park, NJ, near the Passaic River. The mill has a capacity of 151,000 short t/a on three machines, after the fourth PM was indefinitely idled a few months ago. The company hopes to emerge from Ch. 11 bankruptcy in September 2007, and needed to reach the deal with EPA, Dept. of Interior and Dept. of Commerce without admitting any wrongdoing. Also, a bankruptcy judge must approve the company's financial restructuring plan.

Nick Marcalus, Chairman and CEO of Marcal Paper, said in a press release: “We are pleased that we could work together to quickly settle this claim for the benefit of all parties and cut short an otherwise protracted and costly legal battle with EPA. With this matter behind us, we can focus our full attention on the company’s restructuring”.

Wausau Paper Expanding and Upgrading AfH Tissue Range

In early June 2007 Wausau Paper announced the expansion of its line of value-added towel and dispenser products, used in Class A office building and other AfH settings. The newly introduced products include redesigned “DublSoft®” premium towel and bathroom tissue lines, such as new “DublSoft® OptiFold™” (premium) towels and “EcoSoft™ GreenSeal® OptiFold™” (environmentally preferable) towels and additions to the company’s Silhouette® dispensers, now available in a range of translucent colours that coordinate with higher-end AfH washroom environments.

New “DublSoft®” folded and roll towels have an exclusive embossed leaf design and two-ply bathroom tissue an embossed floral pattern to emphasize restroom décor and comfort with function, which is a growing trend among building managers, according to Wausau Paper. Previously the company introduced “DublSoft® OptiCore®” bathroom tissue, which features a patented two-part core for optimum savings in maintenance time and costs.

“With these new product introductions, our Towel & Tissue business demonstrates once again its unique understanding of the AfH marketplace and builds upon the success it has achieved over the last several years meeting customer needs and adding value in a highly commoditized arena,” commented Thomas J. Howatt, Wausau Paper President and CEO. “It is exactly this approach to innovative new product development which will continue to fuel strong growth for our Towel & Tissue business,” he continued.

In mid-August 2007, Wausau Paper announced the expansion of its “Green Seal®”-certified product offering by introducing the new “Dubl-Nature®” towel and tissue line. Products available in the “Dubl-Nature®” line include roll and traditional folded towels, bathroom tissue, and the recently introduced “OptiFold™” folded towels for the office buildings market.

Wausau says that the “Dubl-Nature® Green Seal®”-certified towel and tissue line, 100% made from a superior grade of recovered paper offers exceptional quality and a sophisticated appearance (outstanding brightness and absorbency) for the AfH market. Combining “Dubl-Nature®” controlled roll towels with the company’s “Bay West Silhouette®” line of controlled-use dispensers can further reduce waste and improve total cost considerations for facilities managers, the supplier claims.

“Through our new “Dubl-Nature®” line we offer our customers the highest quality “Green Seal®”-certified products available,” stated Thomas J. Howatt, Wausau Paper President and CEO. “Our Towel & Tissue business consistently demonstrates its ability to innovatively respond to opportunities and add depth to our environmentally preferable offering for the AfH marketplace. Recognizing and meeting the needs of a growing number of customers specifying green products, in what otherwise is a highly commoditized sector, continues to set the course for growth by our Towel & Tissue business.”

PPC Adding New Converting Line in Wisconsin

Precision Paper Converters, LLC (PPC), have announced the purchase of a new tissue converting line to be installed in its Kaukauna Industrial Park facility. The new converting line consists of an interfolder, a servo-driven sheet cutter, a fully automated cartoner and related material handling equipment. It will complement the company’s current interfold and C-fold facial tissue converting equipment.

“This new converting line will support our rapidly growing facial tissue business,” stated Jack Mason, President and CEO of PPC. Mason added that, in addition to much needed capacity, the new converting line will provide additional production capabilities such as embossing (ply-bonding) and the ability to

convert lotioned tissue products. "Lotioned products are a growing segment of the facial tissue market, and we are pleased to be able to offer this capability to our customers," he added.

The new equipment will also be capable of handling tissue rolls up to 72 inches in diameter and 56 inches in width, with powered unwind stands and tension controls to allow for the control of "difficult-to-run" materials. Delivery and installation of the converting line is slated for November 2007.

PPC was established in 1991 and now operates in a modern building, which was built in 2001. The company offers a wide range of contract converting services, including precision sheeting, standard sheeting, guillotine trimming, slitting/rewinding, packaging, collating, fulfilment, warehousing and other outsourcing services. PPC is also a custom converter of film, paper and related materials, and manufactures several lines of industrial and counter roll products.

PPC's Fox Tissue Division produces a full line of facial and lens tissue products that are sold through healthcare and other AfH distribution channels. These include the company's line of "Sniffles™" brand of facial tissue plus private label facial tissue products.

Orchids Paper Appoints New CEO

On August 21, 2007, Orchids Paper Products Company announced the appointment of Robert A. Snyder as its President and CEO effective August 20, 2007. Mr. Snyder, who most recently served as General Manager of KTG USA, a subsidiary of Kruger, Inc., replaces Interim President and CEO Keith R. Schroeder who served in this position between August 1 and August 20, 2007. Mr. Schroeder succeeded Michael Sage, who has retired. Mr. Schroeder has served as the Company's CFO since January 2002 and will continue in that role.

Prior to his tenure at Kruger Tissue Group USA, Snyder served in various capacities with Kruger, Great Northern Paper, Inc., Alliance Forest Products U.S. Corporation and Bear Island Paper Company. "His extensive pulp and paper experience and proven leadership abilities will be invaluable as we continue to grow our business," says Jay Shuster, Chairman of the Board of Directors of Orchids Paper Products Company.

Western Europe

SCA Appoints New President and CEO

The Board of Directors of SCA has today decided to implement a change of CEO. Jan Johansson, currently President and CEO of Boliden AB, has been appointed as SCA's new President and CEO. SCA's Executive Vice President and CFO, Lennart Persson, will be acting CEO until Jan Johansson can take up his position, however, within three months at the latest. Jan Åström is vacating his position with effect from today's date.

SCA's Chairman, Sverker Martin-Löf, states: "In the Board we see major opportunities for SCA to improve profitability and accelerate its growth rate in prioritized markets in Eastern Europe, Asia and Latin America. This applies in particular to SCA's consumer products. It is a question of finding the right leadership for the right challenges. We have looked for a CEO whose strong leadership is well documented, who is future-oriented. These are qualities we see in Jan Johansson."

"Jan Åström has been President and CEO of SCA for almost six years. In an exemplary manner, he has implemented essential and extensive cost-cutting and efficiency enhancement programmes which has contributed to SCA's earnings recovery," continues Sverker Martin-Löf.

"In recent years, SCA has succeeded with major and important adjustments in response to changes in customer structures and business climates. I understand and respect the fact that different circumstances require different leadership," comments outgoing CEO Jan Åström.

Sofidel to Acquire Werra Group in Germany

Sofidel Holding S.p.A., Lucca, Italy, has agreed to acquire Werra Papier Holding GmbH, Wernshausen, Thuringia, Germany. The German cartel authorities gave a green light to the acquisition on July 23, with a notification of the plan published one week later on July 30, 2007. The deal is however still pending on the acceptance by the EU competition authorities.

There are no details available concerning the terms of the acquisition proposal. It is expected that the deal will not be completed before the fourth quarter of 2007, even in the case that it will not be submitted to the second phase investigation of the authorities. Sofidel's sales subsidiary Delisoft GmbH in Cologne reportedly sells some 110,000 t/a of tissue products, including some branded ("Regina") products but predominantly retailer label tissue. Turnover is estimated somewhere between 150 and 200 million per year.

The Werra Group consists of three legally separate companies: Werra Papier Wernshausen GmbH (42,000 t/a capacity on two machines, mainly AfH tissue); Omega Papier Wernshausen GmbH (37,000 t/a, one PM, mainly consumer tissue); and Thüringer Hygiene Papier GmbH (33,000 t/a, one PM, consumer tissue), all located in Wernshausen close to each other. The companies have been operated under the same management. Werra and Omega use recovered paper as the main raw material whilst Thüringer produces tissue on virgin pulp basis. The turnover of the group is estimated at some 100 million/a.

No details are available about the price of the transaction, which also includes Thüringer Hygiene Papier Logistik GmbH. Sofidel's total tissue capacity will increase to some 690,000 t/a, making it the fifth largest tissue supplier worldwide by overtaking Metsä Tissue in the capacity ranking. The deal also means a major entry into recovered paper-based tissue production by Sofidel - so far the company has used almost exclusively virgin pulp as raw material.

EU Commission Suspends Review of SCA/P&G Tissue Deal

On August 9, 2007, the European Commission suspended its antitrust review of SCA's planned takeover of Procter & Gamble Co.'s European tissue business. The reason is that the companies have not provided information the regulator requested, according to a commission official. The suspension will last until the Commission receives the information, the official added. No details are available about the information that is missing. The next "notification date" is set for September 5, 2007.

According to the proposed deal, SCA is paying € 512 million for the unit, which includes the "Tempo" brand of handkerchiefs, plus the exclusive right to use P&G's "Bounty" brand name for kitchen rolls and the "Charmin" brand name for toilet paper in Europe. P&G's European tissue business includes five production facilities in Germany, the UK, France and Italy, which employ some 1,100 people and has annual sales of roughly € 500 million.

K-C Selling Duffel Mill in Belgium to LPC

The LPC Group, headquartered in the UK, has purchased Kimberly-Clark's (K-C) 35,000 t/a tissue mill in Duffel, Belgium for an undisclosed price. The contract was signed at the end of May 2007, and LPC is currently planning what changes it will make at the facility. The plant, which continues to run at full capacity, will be renamed to reflect its new ownership on August 28. The group will retain all of the site's 160 employees.

LPC is in the midst of a major expansion program (see WTBM #31, February 2007). It acquired SCA's Roanne mill in France at the beginning of the year and is planning to boost capacity at the 32,000 t/a tissue plant by installing a new machine, although no further details are available at present. LPC's Swedish Tissue facility, located in Kisa, will also see an increase in capacity when its existing 18,000 t/a PM 3 is

replaced by a new 40,000 t/a unit ordered from Andritz. The 3.4 m wide machine, also called PM 3, is due to come on stream late 2007. The plant also houses one other machine, the 22,000 t/a PM 4.

In addition, the LPC Group is in the process of ordering a new 60,000 t/a tissue machine for installation in the UK. The unit is expected to start-up next year. LPC has already secured permission and grants for greenfield production sites in Germany and Spain, planned to start up by 2010. The tissue producer expects to see both capacity and revenue more than double over the next three years as a result.

The sale of the Belgian mill is part of K-C's global restructuring program, announced in July 2005. Under the scheme, some 20 manufacturing facilities, equivalent to 17% of the company's worldwide total capacity, are being closed or sold, while an additional four facilities are being streamlined.

The changes will also result in expansions at seven plants in Europe and North America, as some production will be transferred from the closed sites. The plan also involves the firm reducing its global workforce by 6,000 people, although some of those affected will be transferred to other locations where operations are expanding.

K-C has already sold three other facilities in Europe. Its 25,000 t/a Villanovetta tissue mill in northwest Italy was sold to the Italian holding company CDM at the end of 2005; its 60,000 t/a plant in Mainz, Germany, was sold to WEPA Group in early 2006; and its coloured napkin stock and specialty paper mill in Balsthal, Switzerland was sold to Papierfabrik Horgen in late 2006 (the mill is now known as Swiss Quality Paper).

K-C's Forchheim sanitary napkin converting facility in Bavaria, Germany is being closed whilst its Reichenburg tissue products converting plant in Switzerland has already been shut. K-C's diaper manufacturing unit in Barton-upon-Humber, Cumbria, in the UK, and converting operations in Flint, UK, are being streamlined.

Pro-Gest Selling One Villa Lagarina PM

According to our information, the Pro-Gest Group of Italy has stopped one of the three Over Meccanica tissue machines at its Cartiere Villa Lagarina mill in Rovereto, northern Italy. The machine was running until July 2007, and has now been dismantled. An Italian second-hand machinery trader has announced this PM for sale.

The PM is most probably PM4, started up in 1997 as the second tissue PM at the mill. PM4 has a trim width of 2.7 m trim, an operating speed of some 1,400 m/min and a capacity of maximum 70 t/d (22,000 t/a). The Yankee cylinder has a diameter of 3.6 m and working pressure of 7 bars. The reason for the stoppage is reportedly that the mill needs more space for a major rebuild of an existing linerboard machine. Corrugating materials are the main product of the Pro-Gest Group.

G-P Starting Up the Third PM in Allo, Spain

Georgia-Pacific has started up a new 60,000 t/a tissue PM at its Allo mill in the Navarra region of northwest Spain. The PM was substantially delayed, as its original start-up should have taken place in October 2006. The stop-and-go strike at the mill, which lasted from January to May 2007, contributed substantially to the delay at the last moment. Allo's two other PMs have a combined capacity of 110,000 t/a.

PMT Italia supplied the PM and gives the daily capacity as high as 230 t/d. The Crescent former PM has an operating speed of 2,000 m/min and trim width of 5.5 m. PMT Italia also supplied the dust and mist removal systems, as well as sheet stabilization and hall ventilation equipment. Brunnschweiler provided the PM hood.

Renova Orders PM5 Rebuild from Toscotec

Renova S.A., the largest tissue manufacturer and converter in Portugal, placed an order with Toscotec for a major rebuild of their PM5 tissue machine at Torres Novas mill. The goal of the upgrade is to improve end-product bulk and to increase production capacity with an energy efficient approach.

In the light of efficiency and quality improvement, Toscotec will modernize the press section and replace the Yankee Dryer with a steel-fabricated Yankee cylinder. According to the supplier, this rebuild comprises Toscotec's state-of-the-art pressing technology, a large suction press roll that will be installed to replace the actual two-press configuration. The new suction roll offers improved pressing performances in terms of dryness, and preserves the softness of the tissue web guaranteeing a flat profile.

Renova's PM5 will be the third large suction press in operation, after two successful installations at Wepa in Germany. For best exploitation of energy sources, the retrofit will also include Toscotec innovative Steel Yankee Dryer. Steel Yankee has been developed to provide tissue mills with a heat-transfer efficient tool to create energy savings.

By using steel instead of cast iron in the manufacturing process, Yankee root thickness is significantly reduced and thermal efficiency consequently increased; higher operating steam pressure and lower differentials further improve the energy performances. For Toscotec this is the 20th order for a Steel Yankee and the 3rd for a 15ft diameter.

Toscotec to Rebuild Kartogroup's PM1 in France

Toscotec has been selected to deliver a major rebuild for Kartogroup France's (Dalle Hygiene) mill in Bousbecque in northern France. The main purpose of the rebuild is to boost production but also improvement in product quality and reduction of production costs. PM1 is today focused on the manufacture of tissue based on recycled fibre, but after the rebuild it will be able to produce virgin pulp-based tissue, too.

PM1 is a suction breast roll machine which has been rebuilt several times and will now be converted into a Toscotec Crescent former machine ("Ahead 2.0" model). The scope of Toscotec's supply will include a new headbox, new former section, new felt section, renewal of the Yankee doctoring area, new hood and air systems, new fan pump as well as new drives. The turnkey rebuild package also includes complete engineering as well as dismantling, installation and start-up services.

While current configuration allows reel trim of 2,700 mm and speed of 1,300 m/min, future performances will be 1,900 m/min operating speed and 2,750 mm trim width at reel. We estimate the capacity of the PM will increase from 25,000 t/a to at least 30,000 t/a. The closure of PM1 is expected to be very short (a couple of weeks) and restart is scheduled for the end of 2007.

Swiss Quality Paper to Raise AfH Tissue Converting Capacity

Swiss Quality Paper Horgen Balsthal AG is set to map out its investment plans for its mill in Balsthal, some 50 km south of Basel, Switzerland. The firm wants to invest in higher value products and was due to decide which type of converting equipment it requires by the end of July 2007.

The company aims to install some new converting equipment at the facility within the next two years and hopes to add some new lines already this year. "If we get some used equipment it will be pretty early, otherwise it could be toward the end of the year or first quarter of next year," a spokesperson said. Swiss Quality Paper is looking to increase its AfH tissue products capacity at the site and focus further on the production of specialty papers, such as masking tape base paper and cigarette filter paper.

The Balsthal mill houses two machines. PM3 can produce up to 27,000 t/a of specialty paper, while PM5 manufactures 9,000 t/a of tissue paper, mainly coloured napkin stock. The mill housed a third unit, PM7, which has been dismantled and sold as scrap metal. The PM had been out of action for over six years and produced a small amount of crepe paper.

Meanwhile, Swiss Quality Paper is still in the process of selling off its two tissue paper machines at its plant in Horgen, near Zürich, also in Switzerland. All production and converting was stopped at the facility by the fourth quarter 2006, due to a lack of space for expansions. The company has sold PM2 (whose capacity is increasing to 30,000 t/a after installation of some new equipment delivered by Bellmer) to an unnamed buyer outside Europe and aims to sell the 13,000 t/a PM1 during the summer.

Cartiera Carma's New Converting Line on Stream

Cartiera Carma has brought a new converting line on stream at its facility in Capannori, Lucca, Italy. Fabio Perini S.p.A. supplied the 10,000 t/a hand towel folder (not toilet paper line as earlier indicated). Cartiera Carma recently relocated its converting business from Castellare di Pescia to the larger facility in Capannori. The new plant, located some 20 km from Pescia, currently houses five of the company's seven converting lines.

The firm hopes to move the remaining two lines to the new facility by the end of September 2007. It will then close the Pescia plant. Cartiera Carma can produce around 35,000 t/a of AfH tissue products. The company will continue to produce tissue paper at another mill in Pescia, which houses two paper machines, the 13,000 t/a PM1 and the 18,000 t/a PM2. In addition, a related company MC Tissue can produce some 30,000 t/a of tissue in Tassignano in the neighbourhood of the converting site.

LPC Sells Kilbagie Site to Oran Group

The UK-based tissue producer, the LPC Group, has sold off its Kilbagie mill in Alloa, Scotland, to the Oran Group, a waste management company. The plant used to manufacture some 50,000 t/a of deinked pulp (DIP), but was halted two years ago due to depressed DIP prices and has remained idle since then. The majority of the pulp was used at LPC's Kamns facility in Leicester, which has a 75,000 t/a capacity of tissue paper.

The LPC Group originally planned to install a new tissue paper machine and two converting lines at the Kilbagie mill and boost its DIP capacity to 65,000 t/a. But it seems that anticipated grants from the government-funded body, Scottish Development International, to help finance the investment never materialized.

Oran intends to renovate the site to house its head office, currently located near Alloa. A spokesperson for the group said not much equipment is left there as the seller kept most of the gear, but a huge amount of renovation work is needed. As a result, Oran expects to relocate its headquarters to the 45 acre (18 ha) site early next year. The group's subsidiary, Oran Recycling, handles various types of dry waste, including paper, board and wood. The recycled products are sold on the domestic market and exported.

New Easy-Access Package for SCA's "Zewa Soft" Toilet Paper in Europe

SCA Consumer Tissue Europe has developed a new toilet paper package that is easier to open than traditional packages. The new "Zewa Soft" toilet paper has a perforated tear flap on the side that makes it easier to open the package, thus allowing easy roll-by-roll withdrawal. The remaining rolls are stored hygienically in the package. The new "Zewa Soft" was launched in combination with a softness upgrade in April 2007 and is sold throughout Germany, Austria, Switzerland and several other European countries.

Thomas Günther, Marketing Director of SCA Consumer Tissue Europe says: "Our "Zewa Soft" comfort opening specifically addresses consumer needs for convenient handling and more comfort. The idea arose

from a project dealing with marketing to seniors. The product had to offer enhanced convenience. Naturally, this packaging innovation offers added value to all other age groups as well.”

The new opening system was developed in cooperation with the Meyer-Hentschel-Institut of Saarbrücken, Germany, which specializes in optimizing products for seniors.

SCA Appoints New Strategy Director

Christoph Michalski will take up his appointment as SVP Business Development and Strategic Planning at SCA on 1 September. He will succeed Thomas Wulkan, currently President for the business group SCA Americas. Michalski will report directly to SCA’s President and CEO Jan Åström and will be part of the SCA Management Team.

Jan Åström: “The role of strategy director aims at developing SCA’s position as a global consumer goods company. This work is very much about coordinating the focus for the Group’s different business areas and we will derive considerable benefits from Christoph’s sound experience from the consumer goods industry.”

Christoph Michalski’s most recent position was with Fonterra Co-Operative Group in New Zealand where he was responsible for marketing, R&D and business development within the Consumer Division. Prior to that, he spent 15 years working in several countries and in a number of roles within Unilever.

G-P Oughtibridge Mill Hit by Flooding

Extreme weather conditions and heavy rainfall at the end of June caused flooding at Georgia-Pacific’s Oughtibridge mill in Sheffield, England. We understand that both of the two tissue machines at the 38,000 t/a mill and part of the converting equipment were under water.

G-P says that the damage was minimal and that the converting department is already in “full swing” again. The two PMs are still idle, although they are also “in good enough condition” to come back online, but they will remain offline until mid-July while G-P “carries out regular annual maintenance work.” Stock for customers was not affected by flooding, as it is stored offsite in Manchester.

Eastern Europe

Drenik to Install Second PM in Serbia

Drenik has ordered a second tissue PM for its mill in Belgrade, Serbia, from Recard of Italy.

The new unit will have a capacity of some 100 t/d (gross, some 27,000 t/a net), a trim width of 2.75 m and a maximum operating speed of 1,850 m/min. The order also includes two stock preparation lines for long and short fibre pulp and the approach flow. Drenik may order a rewinder at a later stage.

The equipment is scheduled to be delivered in June 2008 with start-up to follow toward the end of the year. Drenik started commercial production on its first tissue machine, the 40 t/d (13,000 t/a) PM1, early 2006. Recard supplied also this Crescent former unit. Its output is processed into mainly toilet paper and kitchen rolls at Drenik’s nearby converting facility. PM2 will triple Drenik’s tissue capacity to 40,000 t/a.

All Hurdles for SCA’s Tula Project in Russia Cleared

SCA’s new tissue mill project in Russia seems to go finally forward. Our contacts confirm that the company has been able to finalise all permitting and other bureaucratic issues around the project and now there is a green light for a quick realisation of the greenfield mill project.

Reportedly SCA has the final specifications of the new tissue machine with PMT Italia. The new PM will have a trim of 2.7 m and capacity of 25-27,000 t/a. Fomat of Italy will supply the hood (Aerothermic) and air handling system. Start-up is expected in 12-14 months from now, by the end of the third quarter of 2008.

Skolwin Tissue's Story Ended in Poland

Skolwin Tissue (in northern Poland) has been definitely closed. The company operated a 10,000 t/a old tissue PM at their mill in Szczecin-Skolwin, which was stopped already in May 2006 but this news came to our knowledge only recently. There will be no restart for the mill.

The company's buildings, machinery and other equipment have been sold in three or four auctions and machinery has been transported to different facilities. The last auction took place on August 20, 2007.

Sanitex of Bulgaria for Sale after Expansion?

Sanitex Paper Mill Ltd. has reportedly started up a second PM at its mill in Kostinbrod, close to Sofia. The installation of this PM took place already in July-August 2006, and start-up reportedly earlier in 2007, although it became public only now. PM2 is a second-hand Toschi PM from the year 1980 (but major rebuild in 1987), featuring a trim width of 2.65 m and an operating speed of 700-800 m/min. We estimate the capacity at 9-10,000 t/a if no major rebuild has been made.

PM2 was originally operating as PM1 at Idealcart's mill in Sermoneta, Latina, Italy. The PM was idled after a fire in the 1990s. Sanitex operates another PM, a 4-5,000 t/a PM1, also originally manufactured by Toschi, with a speed of 300-400 m/min, trim of 2.65 m and capacity of 4-5,000 t/a. PM1 was formerly operated by Cartiera della Basilica, Villa Basilica, Lucca. Sanitex has on-site converting (toilet paper, napkins) and is a major supplier of "Sanitex" branded tissue products in Bulgaria. There is also sanitary napkin production at the Kostinbrod plant.

Sanitex is owned by the family Frey, originating from Lebanon. There are market rumours that the company is for sale. PriceWaterhouse Coopers is reportedly involved in the case and has sent out sales brochures to selected purchasing candidates. The company agrees that "a 15,000 t/a PM" has been started up but denies the potential sale.

Hanke Tissue of Poland Concentrating on Napkins

Poland's Hanke Tissue, now 80% owned by MBB Industries AG (see WTBM #30, November 2006), has decided to stop producing toilet paper and kitchen rolls and to focus its efforts exclusively on napkins, including small consumer packs, white with decorative colour and design printed napkins.

The company's product range will concentrate on Hanke's own brand, "aha...®", but part of production will be dedicated to AfH napkins.

The company will also receive a new hydraulic headbox for its PM3 with completion planned for spring 2008. The purpose is to get better quality control, to improve the tissue profile and to increase tissue production capacity by 15% (from 13,000 t/a to 15,000 t/a). PM3 produces white tissue mainly for printing and a wide range of pastel and deep tones. A large part of the tissue output (some two-thirds) is sold as parent reels.

Hanke Tissue will also continue to invest in new napkin converting equipment. In autumn 2007, the company intends to purchase a modern eight-colour napkin machine in order to increase the design-printed napkin portfolio. Hanke Tissue invested in 2003 in a two-colour Omet folder, in 2004 in a second-hand five-

colour Serv-o-tec folder and in 2005 in a new 6-colour Serv-o-tec machine. The mill has also two old Giebler folders, but it is not known whether they are still used for the production of AfH napkins.

SHP Group Completed Slavošovce Converting Expansion

Slovakia's SHP Group has completed its 9 million tissue converting capacity expansion at two of its mills in Eastern Europe. The company brought the second of the two C.M.G (Costruzioni Meccaniche Gambini) toilet paper and kitchen roll lines on stream at SHP Slavošovce in eastern Slovakia in March 2007. The first line was started up at SHP Celex in Banja Luka, Bosnia-Herzegovina on October 20, 2006. Both lines have reached their full capacity of 9,000 t/a.

At the Celex plant the new line replaced an old 4,000 t/a converting line, which has been dismantled and will not be used within the SHP Group. The company aims to rebuild the DIP line with new flotation deinking, bleaching and micro-flotation systems at SHP Harmanec in 2008 in order to be able produce high quality bleached tissue based on lower quality recovered paper.

The group also plans to invest in biological waste water treatment plants at each of its three facilities. Harmanec's plant will be upgraded in 2007 and the two others in 2008.

The Harmanec mill can produce some 47,000 t/a, the Celex mill 38,000 t/a and the Slavošovce mill some 20,000 t/a of tissue base paper.

Latin America

CMPC to Invest US\$ 65 million in Tissue Business Expansion

CMPC of Chile is to pump US\$ 250 million into its operations this year, with half of the budget earmarked for the acquisition of forest lands, setting up plantations and other forestry issues. CMPC also announced it will spend US\$ 65 million on four or five tissue machines with an average capacity of less than 20,000 t/a for its plants in Peru, Argentina, Uruguay, Mexico and Chile, as well as a new converting line for its Protisa Peru subsidiary.

There are only a few details available on this tissue expansion plan. Only the new Recard PM with an estimated practical capacity of 25-27,000 t/a for Protisa Peru in Santa Anita, Lima has been officially announced (see WTBM #32, May 2007). But market rumours suggest that a second PM has also been ordered, and it will go to CMPC's Papelera del Plata mill in Zarate, Argentina. Hergen of Brazil has reportedly received this low-budget order, and that is a fourdrinier PM which is likely to produce lower-quality tissue in a high basis weight range.

No information is available on potential tissue PM orders for the IPUSA mill in Uruguay and the Mexican or Chilean facilities. In Mexico CMPC restarted a twelve-year old Consani PM at the Altamira mill in late 2006, but the location could also be close to their Monterrey main converting facility.

SEPAC to Double Tissue Capacity in Brazil

Serrados e Pasta de Celulose Ltda. (SEPAC) is investing Real 100 million (US\$48 million) to expand its tissue paper production by 30,000 t/a to reach 65,000 t/a at its mill located in Mallet, Paraná state, southern Brazil. (We however estimate SEPAC's current capacity slightly lower at 27,000 t/a and capacity after expansion to 55,000 t/a). The investment includes the installation of a new paper machine as well as the revamp of stock preparation, converting equipment and infrastructure.

SEPAC has hired Voith Paper to supply the paper machine for Real 20 million (US\$ 9.5 million). According to Voith, the PM will have a capacity of 73-90 t/d of 14-35 g/m² tissue paper and will run at a speed of

1,600 m/min. PM's winder will have 2.76 m width. The supplier started to produce the machine in March and will deliver it to SEPAC at the beginning of February 2008. The start-up is scheduled for April 2008.

According to SEPAC's commercial manager, Sonia Mabile, the company's revenues may show a significant rise after the expansion. "We are banking on a sales increase mainly regarding added-value products, such as double roll toilet paper, which gives a higher profitability to the whole distribution chain," Mabile said.

Besides expanding capacity, SEPAC aims to increase its product mix. The company plans to develop new products to meet workplace, hotel and industrial demand as well as to launch new packaging for its papers.

SEPAC currently has 365 employees and plans to hire 150 people after the expansion. The company produces toilet and towel papers as well as napkins to supply clients in southern, southeast and southwest Brazil, and in other South America's countries.

PAVECA to Commission Second-Hand Tissue PM in August

Papeles Venezolanos (PAVECA, owned by Kruger) is targeting end of August 2007 to launch production on the former PM5 from Kruger's Bolton mill in the UK, which was closed in June 2006. The Toschi PM arrived at Guacara, Venezuela early in 2007. The company had originally planned to restart the 15,000 t/a PM in June 2007 but the project is slightly delayed.

The company is also considering plans to switch the mill's 33,000 t/a PM5 from a flat wire to a Crescent former configuration in 2008, but the project's go-ahead depends on growth prospects for tissue demand in the domestic and export markets. The Guacara mill also houses PM3 with a capacity of 18,000 t/a and PM4 with a capacity of 14,000 t/a.

Unibol Confirms Toscotec Rebuild of PM1 in Colombia

Fabricas de Bolsas de Papel Unibol will rebuild PM1 at its Barranquilla mill in Colombia from a flat wire to a Crescent former configuration. In May 2007 the Italian supplier Toscotec did not reveal the name of the mill, although it was evident that the company is Unibol (see also WTBM #32, May 2007). Now the company has confirmed that the two-step overhaul, aiming at product quality improvement, capacity increase and product range expansion, has been given to Toscotec.

The first step of the rebuild will include a capacity increase from 8,000 t/a to 10,800 t/a by raising the machine's current speed of 495 m/min to 700 m/min. It is scheduled to take place during a 15-day shutdown in March 2008. Unibol has not revealed the timetable for part two of the project, which should increase the capacity of PM1 further to 65.5 t/d (21,000 t/a) and operating speed to 1,250 m/min.

Toscotec's scope of supply includes a new forming section equipped with a single-layer headbox, felt section modification and engineering for upgrading the existing auxiliary equipment such as approach flow system, vacuum plant and sectional drive system. The Crescent former is Toscotec "Ahead 1.5"-type.

Near and Middle East

Saudi Paper Selects Metso Paper to Supply New Tissue PM

Metso Paper will supply a complete tissue machine to Saudi Paper Manufacturing Co. (SPM). The machine will be installed in SPM's mill located in Dammam, Eastern Province of Saudi Arabia. The machine is scheduled to start production during the fourth quarter of 2008. The value of the order is not disclosed. The order is included in Metso's second quarter order backlog. The market value of these types of tissue production lines is in excess of 25 million, depending on the scope of delivery and production output. The total project investment made by Saudi Paper Manufacturing Co. is in excess of 50 million.

Metso Paper's delivery will comprise an "Advantage DCT 200" tissue machine including quality control and distributed control systems (QCS/DCS). Metso will also supply all the basic and detailed engineering and project management services. The machine is designed for a cogeneration ventilation system. With a width of 5.5 m and a design speed of 2,200 m/min, the new machine will add another 60,000 t/a of high-quality facial, toilet and towel grades to Saudi Paper Manufacturing Company's total production capacity. The raw material for the new machine will be virgin pulp and recycled fibre.

Tissue consumption has grown by 25% in the Middle East over the past five years. The Saudi Paper Manufacturing Company was established in 1991 to produce a wide range of high-quality tissue paper. The products are sold in Saudi Arabia and to a growing number of countries in the Middle East and the region at large. The production capacity is today 80,000 t/a. Currently there are three tissue machines in SPM's Dammam mill.

ADNPM's PM2 in Start-Up Phase in the UAE

Abu Dhabi National Industrial Projects (ADNIP) is set to start commercial production on a new tissue machine, PM2, at its Abu Dhabi National Paper Mill (ADNPM) in the United Arab Emirates. Trial runs on the Over Meccanica machine took place earlier in the month. A mill spokesperson anticipated that PM2 will be in full production by the end of August 2007.

The 3.6 m wide Crescent former machine's capacity was previously estimated at 35,000 t/a based on the production of facial tissue grades. However, its revised product mix, which will also include toilet paper and kitchen roll, should see its capacity at 40-42,000 t/a. Its maximum speed is 2,000 m/min.

A new virgin pulp line and a three-ply combiner, also from Over Meccanica, came online at the same time as PM2. The new equipment is part of ADNIP's US\$54 million investment plan in the mill. The project also included the installation of a new deinked pulp line from Kadant Lamort, which came online in June.

ADNPM has one other paper machine. PM1, also from Over Meccanica, with an original capacity of 22,000 t/a, can now produce about 28,000 t/a of tissue paper. ADNIP is still considering the installation of another tissue machine at the plant, for which it carried out feasibility studies in 2006. A company spokesperson pointed out that production in the Middle East is expanding rapidly, so the company will watch the market carefully before making a final decision in 2008.

Crown Paper's PM2 in Trial Run Phase in the UAE

Crown Paper Mill has kicked off trial production on its new 23,000 t/a tissue machine, PM2, at its plant in Ajman in the United Arab Emirates. The firm hopes to start commercial production on the PMT Italia unit shortly.

Crown Paper Mill is also installing a new deinking plant at the site to enable the PM to produce various qualities of tissue grades. The company expects to complete the installation of the unit soon.

The paper machine is designed to manufacture soft, smooth, bulky and strong paper. The firm will sell jumbo reels produced on the unit to converters in the domestic market, but also to other Gulf Cooperative Council countries, Africa, the Indian subcontinent and the UK. The investment cost is around US\$30 million. The plant already houses one machine, PM1, which produces 12,000 t/a of tissue from virgin pulp.

Turanlar of Turkey Considering New Tissue PM

Turanlar Group of Turkey is considering the installation of a new tissue machine at either its Vezirköprü facility, Samsun province, or its plant close to Istanbul. This would be part of its planned diversification into paper manufacture beyond the company's traditional activities in the wood products sector.

Turanlar has delayed the start-up of a 5,000 t/a second-hand filter paper machine from July to September 2007. The PM was purchased from an unnamed Georgian company for € 2 million and originally it was scheduled to come on stream in May 2007. Its output will be used for teabags.

Japan

Tokushu Tokai to Rationalise Tissue Production

Tokushu Tokai's subsidiary Meiji Seishi KK (Meiji Paper) will close the two small (1.6 m and 2.2 m trim) tissue machines at its Denpo mill in Fuji city, Shizuoka prefecture, Japan in October 2007. The combined capacity of these two machines is estimated at 8,000 t/a in our files, but it is possible that the mill has produced somewhat less in recent years.

Meiji Paper will rebuild PM1 at its Takaoka plant, located also in Fuji, Shizuoka prefecture in September 2007. PM1 capacity will increase from 8,800 t/a to 12,400 t/a. The mill houses two other tissue PMs which were rebuilt earlier in the recent past. Before PM1 rebuild the mill capacity is rated at 50,000 t/a in Lockwood Post's Directory.

In recent ownership reorganization Mitsubishi has boosted its ownership in Tokushu Tokai to 8.45% through a private share placement by Tokushu to Mitsubishi Corporation, making Mitsubishi the largest shareholder of Tokushu Tokai. An alliance agreement related to consolidation of speciality paper production of Oji Paper and Tokushu Tokai resulted in a 2.4% ownership by Oji in Tokushu Tokai, and a 0.1% ownership by Tokushu Tokai in Oji Paper.

China

Zhejiang Zhongshun in Major Expansion Phase in China

Zhejiang Zhongshun Paper has started up the first tissue machine of altogether 15 PMs at its greenfield mill in Jiaxing city, in China's Zhejiang province. The unit, a 10,000 t/a BF-10 type PM supplied by Kawano Zoki of Japan, came on stream on June 18. It has a width of 2.66 m and a design speed of 800 m/min.

The company, a subsidiary of Guangdong Zhongshun Paper, plans to install a total of 15 tissue machines at the 10-ha plant, which is located in the port zone of Jiaxing.

Zhejiang Zhongshun plans to produce high-quality grades, such as facial tissue, on the first unit, while making lower-quality grades on the other 14 small machines, which will use a mix of non-wood and chemical pulp bought on the market as furnish.

A spokesperson said these other PMs are currently being erected at the mill and are slated to start up by the end of this year. The company has purchased the machine parts from various domestic suppliers and its own technicians are carrying out the installation work. Each unit will have a capacity of around 2,000 t/a. Small PMs made in China are much cheaper than imported machines and use less energy. The firm believes that this strategy is the best way for it to get a quick return on the investment.

Hong Kong IPO for Financing Vinda's Expansion in China

Vinda International Holdings, the parent of the Chinese tissue producer the Vinda Group, has raised net proceeds of HK\$ 709.9 million (US\$ 90.8 million) from an initial public offering (IPO) on the Hong Kong stock exchange. Trading of its shares on the bourse started on July 10. Vinda intends to issue an additional 45 million shares, as investors had oversubscribed to the IPO shares. The move is expected to net up to an additional HK\$ 160.1 million (US\$ 20.5 million).

Vinda International plans to use HK\$ 526.4 million or 74% of the current net proceeds to fund expansion in China, while the balance will be used to repay short-term loans and replenish working capital. The firm has placed orders with Kawano Zoki of Japan for three tissue PMs.

Two BF-12 (18-20,000 t/a) units will go to Vinda's Shuangshui mill close to Jiangmen city, Guangdong province, with start-ups expected by the end of the third quarter of 2007. The third PM, a BF-10 (10,000 t/a) machine, will be erected at its plant in Deyang city, Sichuan province, and it is expected to come online by the end of this year. This is the second PM for the Deyang mill. Vinda reconsidered this installation for a while because of the poor market response to the high quality virgin fibre-based tissue from PM1, which came on stream in October 2005.

SCA's wholly-owned subsidiary, SCA Hygiene Holding, bought a 20% stake in Vinda International for RMB 366 million (US\$ 48 million) in March 2007. The Swedish firm's share will be diluted to 14.85% after the IPO, but it will remain the second biggest shareholder in the Chinese company. The largest is Fu An International, whose stake will be diluted to 31.71%. Fu An is owned by Vinda International's chairman Li Chao Wang and his family.

Vinda owns five tissue mills in China, housing 14 machines with a total capacity of 190,000 t/a. Vinda International posted net sales of HK\$ 1.36 billion (US\$ 173 million) for 2006, up 46.7% from the previous year, while its net profit surged 83% to HK\$ 106.8 million (US\$ 13.6 million).

Jiangsu Zhenjiang Gold River Seeking Funds for Expansion

Zhenjiang Gold River Pulp & Paper is looking for investors to fund an expansion of its mill in Zhenjiang city, Jiangsu province, China.

The firm, 60% owned by APP China and 40% owned by Zhenjiang Pulp Mill, wants to install a 100,000 t/a market pulp line, a 180,000 t/a printing/writing paper machine and a 20,000 t/a tissue PM at the plant, which is located near the Yangtze River.

The facility already houses two bleached pulp lines with a combined capacity of 70,000 t/a that use a mixture of reed, bamboo and wood as furnish, as well as seven PMs producing 40,000 t/a of tissue and printing/writing paper. The two non-wood pulp lines are facing shutdown, due to environmental concerns.

China's state council has ordered the closure of small, inefficient pulp and paper mills across the country. The move is expected to reduce capacity in China by a total of 6.5 million t/a of paper and board and 2.5-3 million t/a of wood pulp and non-wood pulp, as well as cutting 2 million t/a of recovered paper processing capacity, by 2010.

Asia Far East

Indonesia's Suparma Goes Commercial on Tissue Machine

PT Suparma has begun commercial production on a second-hand tissue paper machine at its Surabaya mill, located on the Indonesian island of Java. The 15,000 t/a unit was previously operated at an unspecified European plant. Test runs kicked off in May and commercial production was reached later in the month.

The Polish supplier PMP Group provided new reel and tail threading and sheet stabilization systems for the machine. The Surabaya mill already housed six PMs with a total capacity of 150,000 t/a of cartonboard, newsprint, printing/writing, tissue and kraft papers. The rebuilt second-hand PM with a trim width of 2560 mm and speed of 800 m/min will add some 15,000 t/a to the mill's total capacity.

Speciality Papers to Acquire Three Associated Indian Companies

Speciality Papers Ltd.'s board of directors has approved the company's planned takeover of three related companies with paper manufacture and converting facilities in the southwest Indian state of Gujarat for US\$ 82 million (Rupee 3.3. billion). The acquisitions are expected to be completed within the year. About 30% of the sales price is planned to be financed through a share placement on the Bombay Stock Exchange.

Speciality Papers Ltd. operates a 30 t/d speciality paper mill in Gujarat's Vapi city. The three companies to be acquired include: Opel Paper Mill Pvt. Ltd., a 50 t/d speciality paper mill located close to the mill of Speciality Papers in Vapi; Reliable Paper (India) Pvt. Ltd. with a 50 t/d mill manufacturing tissue and speciality papers in Bardoli, Surat district; and Prime Industries in Dadra, close to Vapi, converting tissue into several products such as napkins, toilet rolls and kitchen towels. Facial tissue also belongs to the product range offered.

The current ownership structure of the four companies is not fully transparent but they are all presented as Reliable Group on their web site.

Speciality Papers Ltd. is a stock-listed company and it seems like the formerly privately owned companies will be added to the same parent company through a share placement.

Current tissue production of the group is rather small but the Dadra converting facility operates several tissue converting lines, including one 4-colour PCMC napkin line with a capacity of 0.5 million napkins/day, two locally made napkin lines with a capacity totalling 0.3 million napkins/day plus seven simple toilet paper/kitchen roll lines with a capacity of 28,000 rolls/day.

Oceania

Woolworths "Select" Range of Tissues Withdrawn on Environmental Grounds

During the last weekend of August 2007, Australia's biggest supermarket chain, Woolworths, recalled all its private label "Select" toilet paper and tissues from shop shelves by order of its CEO Michael Luscombe. The reason is that the logo stating that the products were sourced from sustainable forest fibre, from an environmentally responsible company, has been found misleading.

The "Select" range of products is delivered to Woolworths by APP from its tissue mills in Indonesia and China. Luscombe has asked the Worldwide Fund for Nature (WWF) to investigate the case a little further on behalf of Woolworths and is awaiting their report before further actions.

But local newspapers have already spoken with WWF representatives in Indonesia and they claim that Asia Pulp & Paper have never had certification on environmental sustainability and social equity grounds, and that there is nothing to suggest they are anywhere close to achieving it.

The key concern in this situation is that cheap overseas products were being sourced and marketed and put on the shelf as if they had an environmental tick. Woolworths had a few days earlier emphasized the success of their "Select" own brand range. For APP the situation will be a major problem for their converted products exports to Australia.

Africa

Delays Hit Indevco's Sadat City Greenfield Project in Egypt

Indevco's plan to erect and start up a new tissue mill by mid-2008 in Sadat City, Egypt, has run into delays. The company has all the necessary permits to begin the facility's erection and is currently preparing the site's

groundwork. However, some construction contracts are still being negotiated and a company spokesperson said it is unlikely that the installation of the stock preparation will begin in September as planned.

The scheduling of the project has also been thrown into doubt by ongoing negotiations with Italian supplier A.Celli. In May, A.Celli reported that Indevco had ordered two machines with a combined capacity of 50,000 tonnes/yr of tissue from recovered paper. However, the Indevco spokesperson said that his company had thus far only purchased one 25,000 t/a machine from A.Celli for an undisclosed amount.

While ultimately Indevco's plan is still to reach a total capacity of 50,000 t/a, negotiations are ongoing for the second 25,000 t/a A.Celli machine. Indevco will only be able to provide a revised timetable for the project pending the completion of all supply and construction negotiations.

South African Tissue Sector Strike Ended

Industrial action at Nampak's and Kimberly-Clark's tissue facilities in Rep. of South Africa concluded on August 22, 2007, after about three weeks of dispute which began on July 30. A union spokesperson said that the companies both agreed to meet demands regarding the full employment of temporary workers and an average 10% salary increase. However, a Nampak spokesperson said the strikers, who had been asking for a 10% raise, settled for 7%.

K-C facilities affected by the strike include the Enstra mill in Springs, Gauteng (54,000 t/a) and its Cape Town converting facility. And Nampak was affected at its tissue mills in Kliprivier (21,000 t/a), Belleville (24,000 t/a), and Riverview (12,000 t/a). These mills produce about half of South Africa's tissue. Only these mills were affected by the union claims. Nampak spokesperson feared that the specific demands placed on them would reduce their competitive edge in the country's tissue sector, wherein about 200 companies are active.

IFC Investing in Star Paper of Nigeria

On June 27, 2007 the International Finance Corporation (IFC), the private sector arm of the World Bank Group, confirmed that it will invest in Star Paper Mills Ltd. in Owerinta in Abia State, Nigeria to help the company expand its tissue production. IFC will also provide advisory services to help Star Paper increase the amount of recovered paper it uses in its products, improving sustainable business practices and environmental standards.

The company will use the US\$ 10 million loan to refinance a recent expansion of its production facilities. Star Paper began commercial production on a new 60-65 t/d tissue machine in May 2006. The new PM more than doubled its production capacity from 20,400 t/a to 44,200 t/a of parent reels. In the longer term, Star Paper has a project to increase the plant's total capacity to 73,200 t/a by 2010 at a cost totalling US\$ 28 million.

Besides the loan, the IFC will participate in Star Paper's expansion by providing advice on recovered paper use, sustainable business practices, and environmental standard compliance.

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