



CelCo

Cellulose Consulting

INVESTING IN CELLULOSE 2015

Dear Participants,

Thank you for attending the 5th edition of the CelCo conference and contributing to a very successful day. As in previous years almost half of our delegates were attending for the first time and overall attendance figures were very similar to last year.

I am grateful for the conference feedback that many of you were kind enough to provide. We will strive next year to meet your desires, especially regarding 2016 topics; however please feel free to contact me early 2016 if you would like to use this forum to communicate about your company and/or a specific industry. This will also be the time to share your interest in participating as one of our sponsors and increasing your exposure.

Because of the challenge of using your time efficiently during London Pulp Week I am considering re-instating the Sunday night Cocktail Reception, as many of you are already in London by then. This would allow us to start the programme earlier on Monday morning so that we can close earlier, thus creating more time in the afternoon for your other commitments and hopefully help you better move between the conference and your additional meetings. Any thoughts on this will be most welcome.

This year's agenda was designed to address some of the key issues of our industry as well as providing you with the opportunity to learn more about other industry segments who are part of the specialty cellulose family. I understand many of you enjoyed listening to Professor Boltho's economical view of the world and we will certainly try to entice him back in the future.

We will continue in the coming years to split the program into four areas;

- Supply and Demand of DWP, Cotton and VSF in China
- Downstream/End Users Demand of Specific Market Segments
- A specific technical discussion related to our industry, and
- A view on our industry by an outsider, such as an analyst or economist

In addition to the annual conference, in order to best meet your information needs CelCo has been publishing twice a year actual and forecast market reports on the DWP industry. Also some of you already keep in touch with the industry via the CelCo Mobile phone app.

I am happy to announce the launch of a monthly newsletter in January 2016, edited jointly by CCFGroup and CelCo to cover the entire spectrum of the cellulose industry upstream and downstream on a worldwide basis. Visit www.celo.ch to find out more about Early Bird subscription offers.

In the meantime, I wish you a Merry Christmas and a Happy New Year for 2016 and look forward to the opportunity to welcome you back to London on November 7th, 2016 and once again discussing the new threats and opportunities for our industry.

Christian Chavassieu

Conference Stats

Representatives from
over 20 countries

Representatives from
over 50 companies

36% of attendees
with Sales &
Marketing roles

24% of attendees
with Purchasing roles

18% of attendees
with General
Management roles

9 Speakers

247 pages of
presentations

2 Sponsors



Central National-Gottesman Inc.

Valmet
FORWARD

CONFERENCE SUMMARY

During the conference many topics were addressed; below is a brief summary of the topics covered by our speakers. This year CelCo underlined that 2015 was a turnaround year with prices bottoming out and in some markets picking up again while volume demand of DWP showed lately sign of recovery.

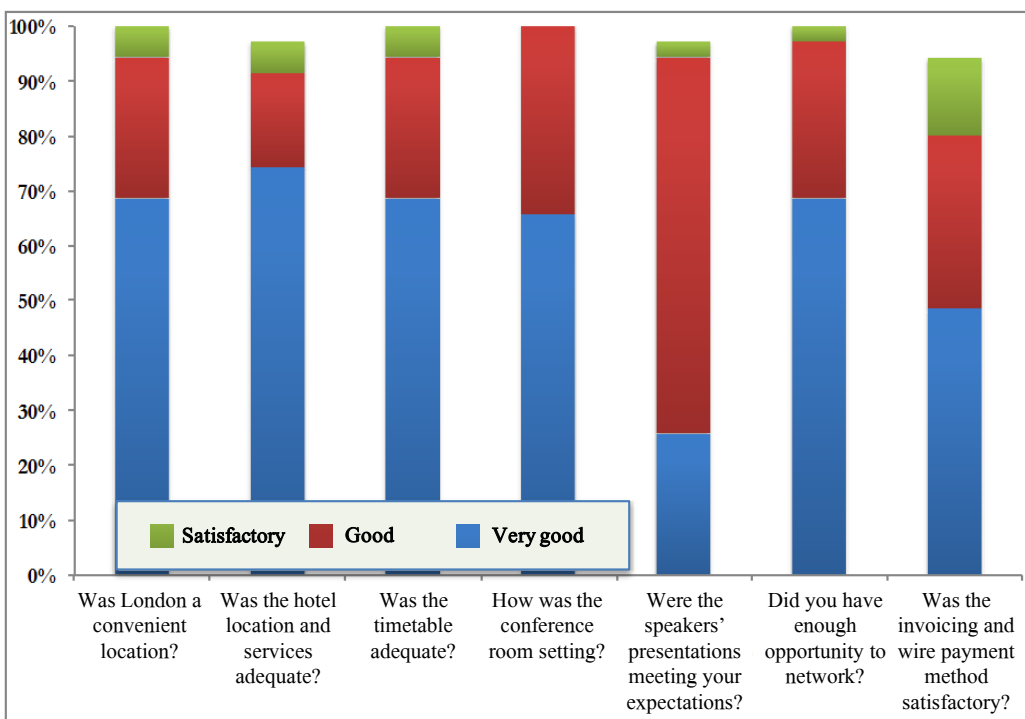
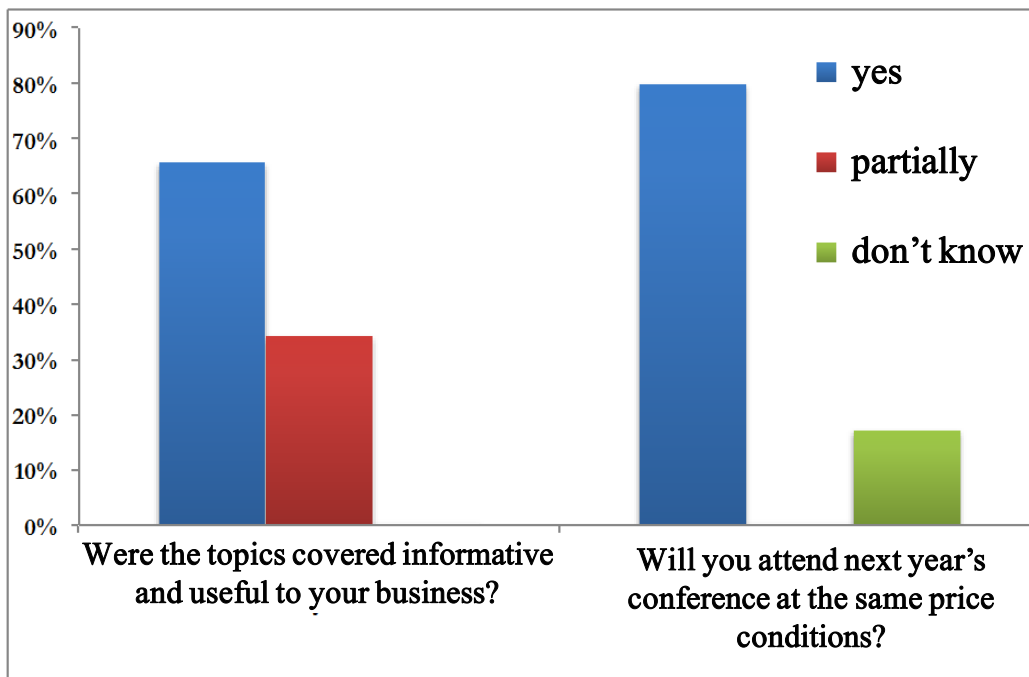
- On the DWP supply side significant capacity reduction announcement and return to paper pulp production indicate that the market is beginning to adjust its current overcapacity with still very low capacity utilizations rates (+/-50%) for both China domestic DWP and CLP producers. On the demand side 2015 showed overall a decline of 1% over 2014 mostly due to acetate and rayon grade temporary decline reflecting an adjustment of the downstream activity. Prices declined year on year for the high alpha grades and specialties while the rayon grades and VSF picked up steam in the second half of the year. Looking forward, capacities adjustments will continue and, unless new paper pulp mills conversion take place, we should see a more balanced supply and demand by 2020.
- Similarly to the paper pulp pricing, we could see emerge a price spread developing between hardwood and softwood DWP as the ratio of softwood grades to total supply is reducing.
- China's demand for textile fibers slowed down in 2015 amid China's unclear Macro economic policies and strengthening of environmental policies leading to the restructuring and reorganization of the VSF industry. VSF capacity investments slowed down in 2015 but are expected to pick up in the years to come as 10 M extra spindles are scheduled allowing better technical possibilities of blending cotton and VSF. Cotton yarn prices are still above rayon yarn but spread is narrowing. VSF prices have picked up since March 2015 in contrast to China's cotton prices which have dropped 9% since December 2014 as a result of the change in Cotton China policy.
- Cotton share of textile mill consumption has declined over time to 27% of total fiber consumption. World cotton stocks of 24 M T have currently reached the equivalent of a year of consumption. Imports of cotton in China has dropped drastically over previous years leading to a progressive decline of both China and international cotton prices. The falling cotton prices will be putting pressure on prices of alternative fibers, such as polyester and VSF.
- Polyester accounts for about 50% of the supply share of textile fibers. The global textile and apparel trade demand is expected to grow at 6% CAGR from \$1.6 Tn to \$2.6 Tn between 2105 and 2030. Most Polyester suppliers have now migrated to China and India. Next decade will see trend toward smart and technical Fibre, increasing recycling activity .
- The demand for cigarette's in China has recently slowed down as a result of antismoking measures in 2014, a ban on government gift policies and an increase of 6% in taxes. CNTC by far the largest producer in cigarettes in the world, controls 98% of the Chinese cigarette market and generates \$165 Bn tax income for the Government. Demand growth is expected to slow down to 1.5% or even lower by 2020. However, the pros and cons for cigarette demand may be neutral and only slowly impact the volume demand growth in China.
- The mature industrial nitration industry demand has been stable over the last few years, supported by an increase of printing ink for food packaging.
- The cooking process is at the heart of the DWP production. Valmet has been very active in supporting new or paperpulp mills conversions across the globe.

If you could not make it to this year's conference and are interested to have more details on the presentations contact info@celco.ch

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PARTICIPANT FEEDBACK

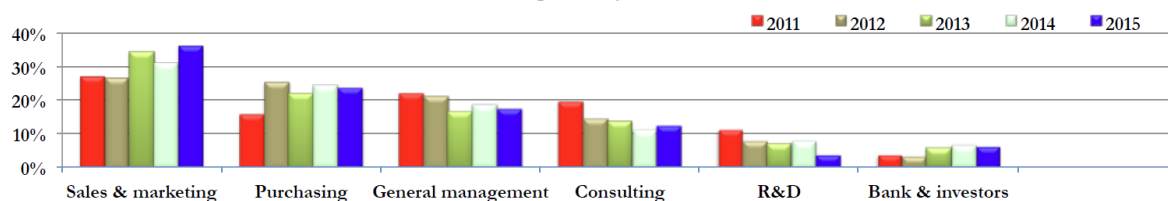


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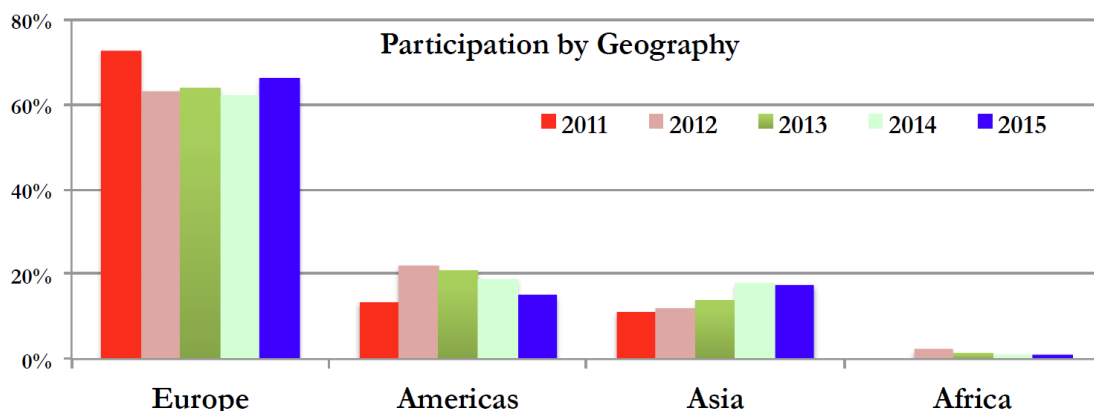
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PARTICIPANT BREAKDOWN

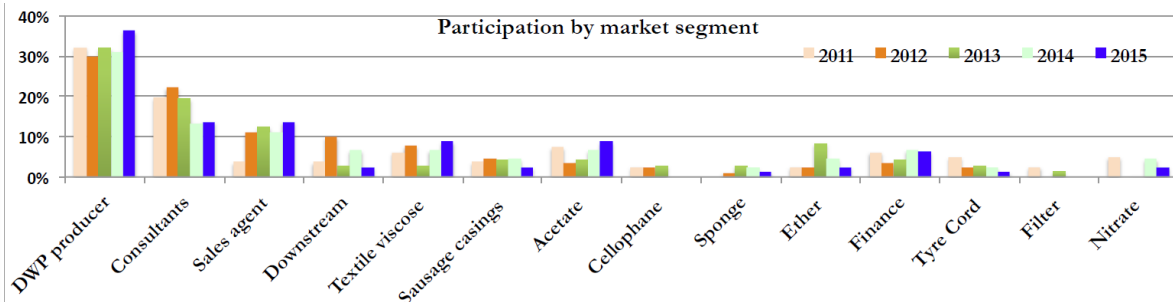
Participation by Function



Participation by Geography



Participation by market segment





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CONFERENCE SPEAKERS



Bruna Angel
PCI Fibres
‘Cotton Supply &
Demand & Outlook’



Richard Bassett
Charlestown Investments
‘The Softwood DWP
Premium’



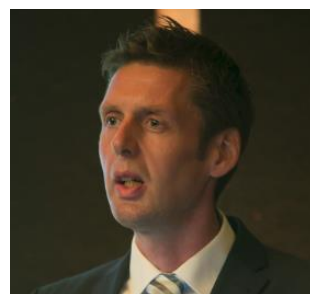
Andrea Boltho
Oxford University
‘The Global Economy:
A Mixed Picture’



Christian Chavassieu
CelCo
‘Supply & Demand of
the DWP Markets’



Rakesh Gaur *Reliance*
‘Changing Dynamics of Polyester,
Cotton & Viscose in the Textiles &
Non-Wovens Markets’



Paul Hemelt
Hagedorn
‘Nitrocellulose; Old,
but State of the Art’



Rachel Chen
CCFGroup
‘China Cigarette
Demand Outlook’



Ding Jinqi
CCFGroup
‘China VSF Supply &
Demand and Outlook’



Lari Lammi
Valmet
‘Top Quality DWP from
Modern Pulp Mills’



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CONFERENCE PHOTOGRAPHS





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SAVE THE DATE

***INVESTING IN
CELLULOSE 2016
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***LONDON
NOVEMBER 7th, 2016***

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