

INVESTING IN CELLULOSE – 2014



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Conference Statistics:

Attendance

24 Countries

Corp Functions

Sales & Marketing	31%
Purchasing	24%
General MAGT	19%
Financial Analysts	7%

7 Speakers

178 Pages of Presentations

+18% Attendees over 2013

WORDS FROM CELCO.....

Dear participants,

Thank you for attending the CelCo conference. Considering the globally weak business environment of our industry we were surprised to see so many participants attend this year's event as well as seeing many new faces (48%); perhaps a sign that even in tough times the industry needs to regroup on industry trends and network ?

Thanks to your feedback we will ask next year more end users from all market segments to come and speak to help us better read downstream market trends.

This year key interrogations were on

- (1) How much is demand growth of all cellulose markets slowing down?
- (2) Will there be a MOFCOM round 2 despite the disaster of round 1?
- (3) Is the market forecasted to be oversupplied for a long time or will supply adapt to demand more rapidly than expected? and
- (4) Will the VSF demand be impacted by the cotton fiber China oversupply?

Our speakers this year endeavored, with courage, to provide some indication of the trends ahead even if some were controversial. Because of the dynamic changes of the industry forecasting seem to be more critical than ever and yet more difficult to provide. This is why CelCo has decided to start publishing a forecast market report twice a year, starting in early 2015, to offer another view point on where the industry is going.

We wish you a happy Christmas and a Happy New Year in 2015. Looking forward to see you next year on Nov 9th 2015 in London with surely its lot of new threats and opportunities for the Industry.



Christian

SAVE THE DATE
INVESTING IN CELLULOSE
2015 CONFERENCE
 LONDON - NOVEMBER 9th, 2015

CONFERENCE SUMMARY

During the conference many topics were addressed. Below is a summary of the topics covered by the speakers. This year CelCo emphasized the need for better market forecast to help companies prepare the future.

Generally, supply and demand parameters have not fundamentally changed since 2013. Demand growth has slowed down for both acetate (as China reduced cigarette demand growth) and ether markets (mostly due to low construction activity in Europe). VSF remains the key demand driver for DWP demand (with 59% of total demand) with further growth expected in the years to come. All cotton, VSF and polyester fiber have reduced their prices y.o.y. in 2014, while China cotton prices are now progressively adjusting to international cotton prices as China floor pricing mechanism has been terminated. The DWP overcapacity situation will continue in the near future but many question if such a situation will last beyond 2016.

China CLP and DWP prices are now back to the level of Q1 2009. China domestic suppliers of DWP only represent 13% of total China cellulose needs and the China DWP mill run only at 58% capacity utilization. CLP supply will concentrate in the Xinjiang province while CLP suppliers in Eastern China will shut down. DWP domestic supply is not expected to grow further. A second round of anti dumping could be launched against Europe and South Africa but MOFCOM will have to decide if this initiative is warranted.

China VSF capacity has still held up in 2014 at 10% and now represents 63% of world VSF capacity. However the China capacity utilization rate is down to 85%. Cotton China output has declined over 2013 and cotton import has reduced by 50% in 2014. VSF investments could decline in the future as credit is harder to get and financing costs are higher. This may lead to investments of new VSF capacity outside of China.

The continued drop in demand of P&W grades of papers leads more paperpulp companies to evaluate a switch to DWP production. However investment cost of a DWP mill is 11.5% higher than paperpulp mill (for a 600 KT facility). Production costs are 16% higher for DWP commodity grade than paper pulp. According to Andritz, conversion cost will be 200-400\$/Ton of converted capacity.

Hydrocolloids are used in infinite food applications and provide many benefits toward tasty healthier food. Many alternative sources to cellulose are available in the market including carrageenan, guar, xanthan and Arabic gum. Demand growth will come mostly from Asia in the years to come as Middle class population grows.

Dow is a leading supplier of a comprehensive portfolio of methylcellulosics, purified carboxymethylcellulose, hydroxyethylcellulose, ethylcellulose and nitrocellulose. Highly purified cellulose derivatives are crucial to enable product performance that meets multiple needs of the pharmaceutical and food industry. Current ether industry utilization is below 80% and price trends negative.

Attractive 40\$/T palm fiber residue could be a new source of dissolving Pulp. Infinite sources of palm fibers are available in Indonesia and Malaysia. Initial testing on a 10T pilot plant indicates alpha cellulose >95%. Inventures is now ready to scale up production with industry partners.

The initial anti dumping action has been a total failure for the companies initiating the action. DWP Prices in China went down since action started and China DWP mill capacity utilization is as low as ever. Industry restructuring will have to take place with or without a round 2 of antidumping measures outside USA, Canada and Brazil.

AGENDA

MONDAY NOVEMBER 10th 2014

Welcome and Introduction

Christian Chavassieu, CelCo

Word from the Antitrust Lawyer

Simon Barnes, Shoosmiths LLP

Supply & Demand of the D.W.P. Markets

Richard Brice, PCI Fibers

China DWP & CLP Supply Situation and Outlook

Ding Jinqi & Chen Huifen, CCF

China VSF and Cotton Supply & Demand Outlook

Ding Jinqi & Chen Huifen, CCF

Paper vs. Dissolving Pulp; More Swing Mills to Come?

Hannu Råmark, Andritz

Global Cellulose Ethers Industry Trends

Marc van Gerwen, Dow

Dynamics of the Hydrocolloids Market in the Food Industry

Ross Campbell, CyberColloids

From Palm Oil to Cellulose

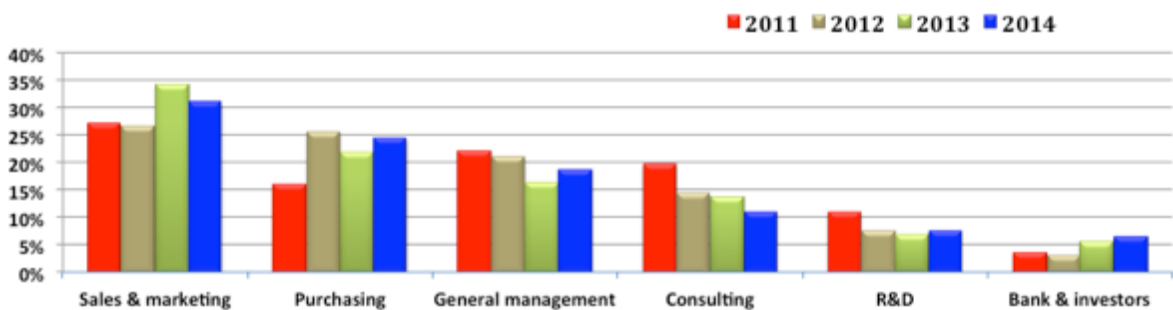
Mark Tegen, Inventure Renewables, Inc.

China Anti-Dumping - One Year Later.....

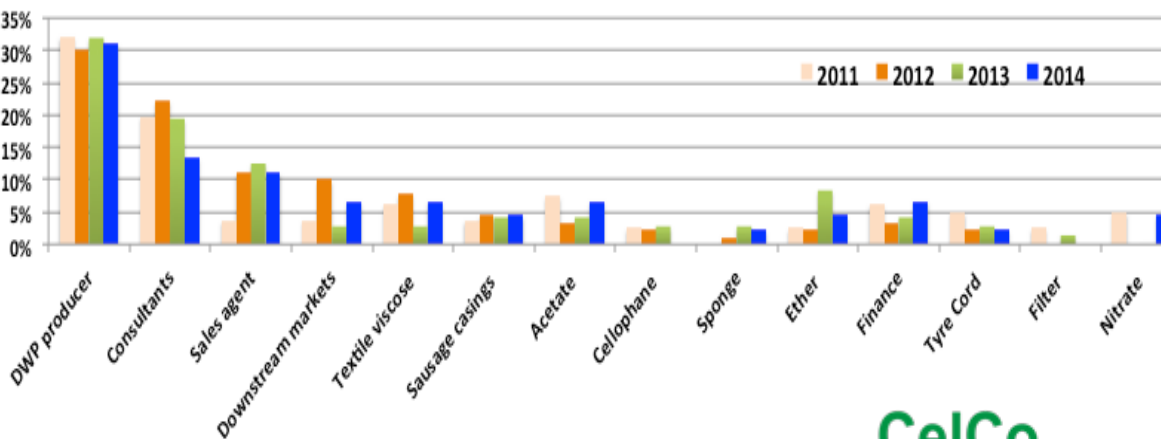
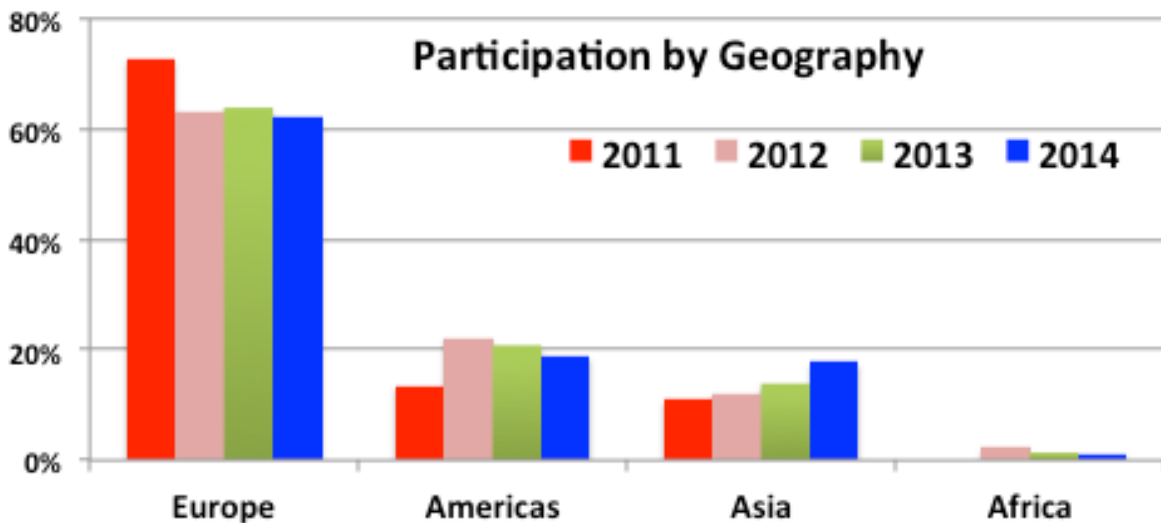
Richard Bassett, Charlestown Investments

PARTICIPANT PROFILE

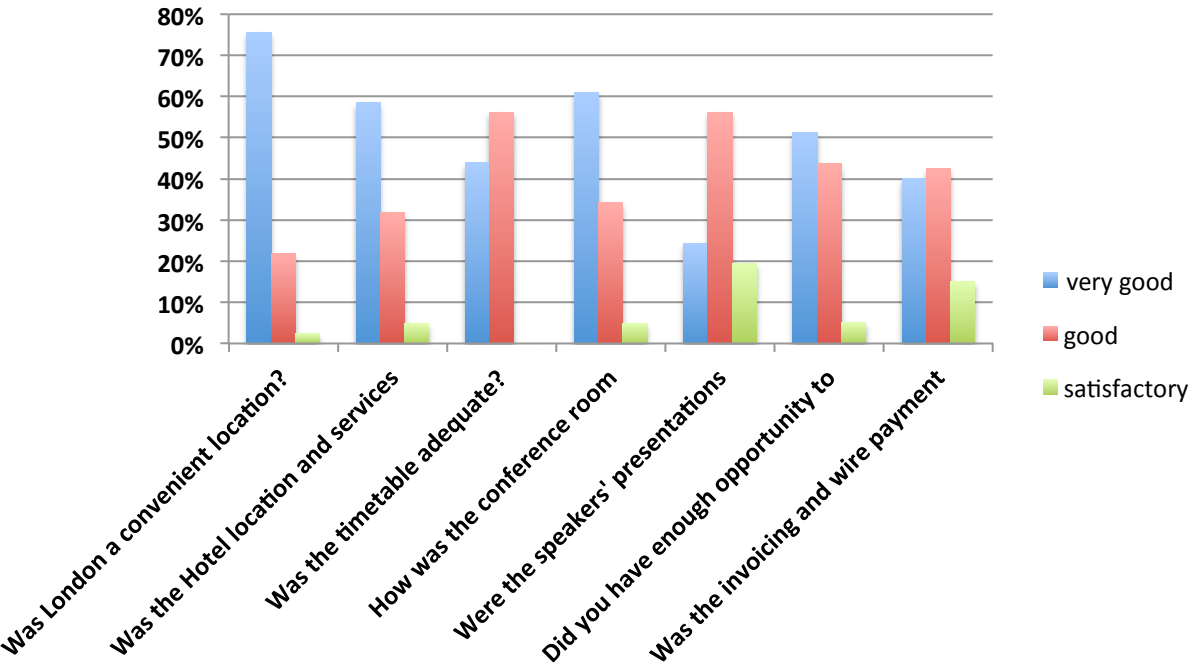
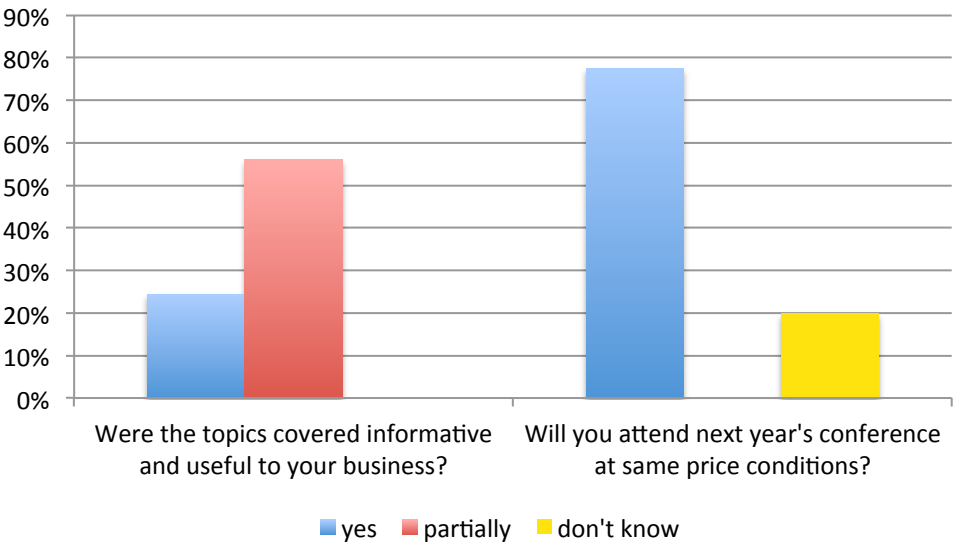
Participation by Function



Participation by Geography



PARTICIPANT FEEDBACK



PHOTOS OF SPEAKERS



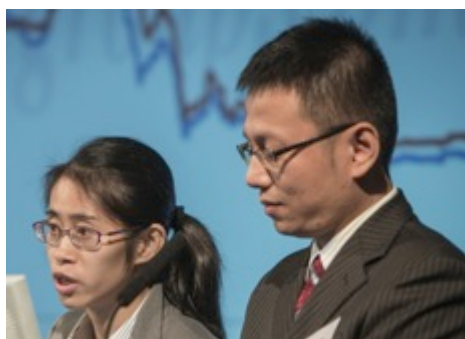
Mark Tegen
Inventure Renewables



Marc van Gerwen
Dow



Richard Bassett
Charlestown Investments



Ding Jinqi & Chen Huifen
CCF

**INVESTING IN
CELLULOSE**
November 10th 2014
**One Whitehall Place
Royal Horseguards Hotel
London**



Ross Campbell
CyberColloids



Hannu Råmark
Andritz



Richard Brice
PCI Fibers

PHOTOS FROM THE CONFERENCE

