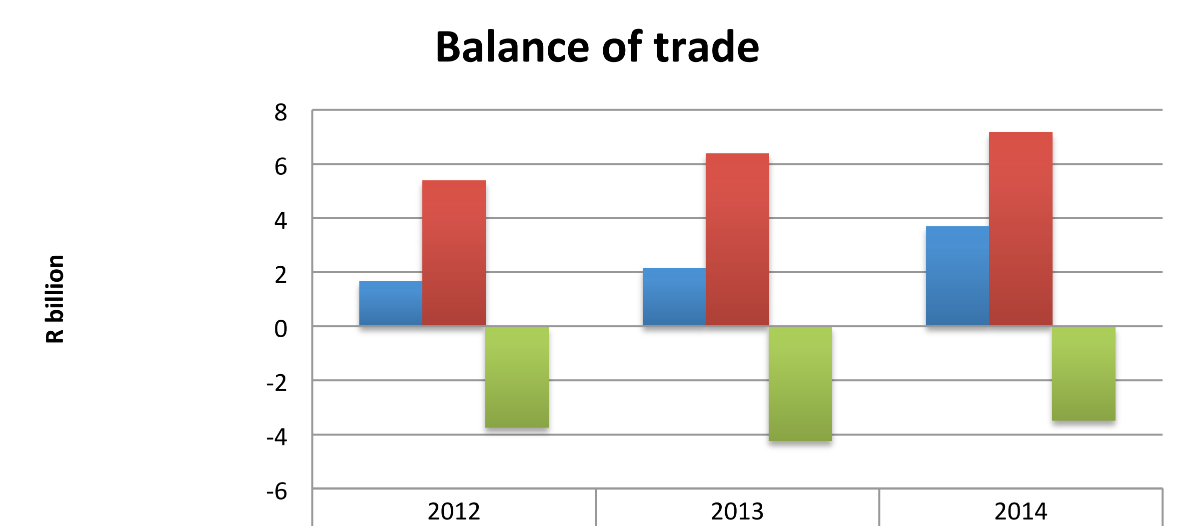
SOUTH AFRICAN PULP AND PAPER INDUSTRY

Summary findings on 2014 production, import and export statistics
June 2015

OVERVIEW

Sector contribution to GDP	2014	2013	2012
• Forestry-paper contribution to total South African GDP	0.5%	0.6%	0.6%
• Forestry-paper contribution to manufacturing GDP	3.7%	3.8%	3.9%
• Forestry-paper contribution to agricultural GDP	24.2%	26.1%	27.0%

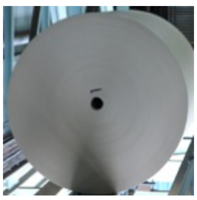


	2012	2013	2014
All papers and pulps	1,653	2,156	3,693
Pulp	5,390	6,384	7,169
Paper and board	-3,737	-4,228	-3,476

Printing and writing papers

Production volumes remained under pressure in 2014, although past year-on-year declines appear to have stabilised. Apparent consumption remained in decline across the board, indicative of a combination of consumer difficulties, industry cost pressures, electronic media growth and increasing competitiveness as a result of the globalisation of trade. There is, however, evidence that the local industry is benefiting from the reengineering of its grade focus - competing on grades that are of economic value while leaving others to imports.

At the same time, consumption per person was down across all grades. This may have been exacerbated by relatively high population growth, low economic growth rates, job losses and lower consumption.


Photographs courtesy of Mondi, Nampak, Mpact, Kimberly-Clark and Sappi

Given the selective production of local grades, exports continued their gradual rise. This rise may also be partly in response to a weaker rand. While under pressure locally in terms of consumption, tissue exports are showing signs of growth.

It appears that uncoated wood-free and coated grades are enjoying some relief from a weaker rand, however, with rising local energy and labour costs and increasing secondary taxes, the pressure for global competitiveness remains in these grades. Newsprint's local production remains low relative to capacity, while imports and exports remain fairly unchanged, again indicative of continued reduced newsprint consumption.

Overall, depressed economic growth rates, sustained lack of job growth and rising costs are constraining the industry.

Packaging papers

Despite reaching the peak 2008 production levels in 2012, packaging paper production levels have dropped 4% per year in 2013 and 2014.Exportsare showing a strong 28% upward surge leaving apparent consumption fairly static and showing the industry’s need to seek new market demand. The majority of activity remains in liner board and fluting.

Tissue paper

Production volumes are marginally higher. Overall apparent consumption per person remains under pressure, which is again indicative of economic strain and job losses among consumers. Adjusted imports (for diaper move from Chapter 48 to 96) continue to show minor declines, while exports(as with packaging) have risen strongly off a relatively low base. This appears to have resulted from the targeting of developing markets north of the South African border

Imports/exports

Overall imports (excluding pulp) continue to rise in spite of the sustained weakness of the rand. The negative balance of trade rand value of paper and board (excluding pulp) remains high. This trend appears to be supported by the continued gradual trend towards less value added products being produced, that is, a movement away from value added paper export and an increase in ‘less value added’ pulp exports. The improvement in the export of tissue and packaging grades is indicative of expected structural adjustments in the local paper and pulp industry post the 2008 recession and global competitive situation. This is a welcome change and hopefully indicative of renewed developments and local competitive abilities in exported value added products.

Consumption

In 2012/13 per-person consumption in the sector was relatively strong. This declined in 2014 and is indicative of poor economic growth, increasing unemployment rates and high cost pressures on end-consumers. All grades are affected. Globally we are mid-way through the rising economic business cycle and although there are indications of the international upswing being reinstated, South Africa appears to be lagging in this.

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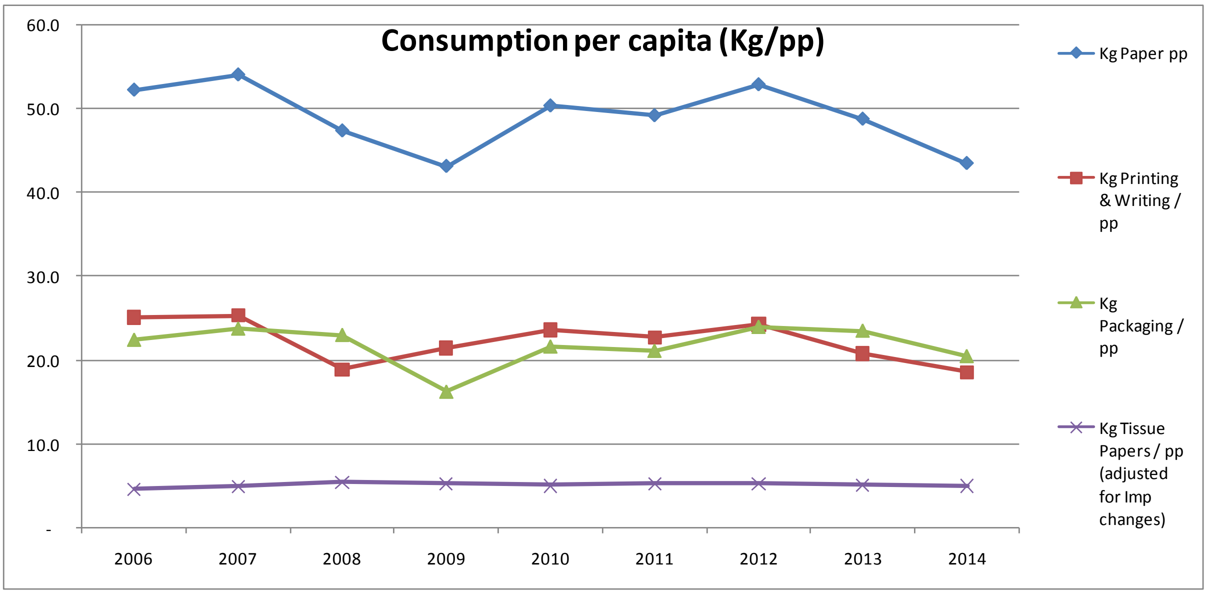
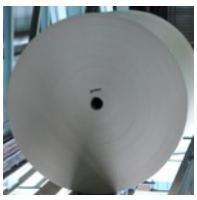


Paper production and consumption

	Paper Production	Paper Imports	Paper Exports	Paper Consumption
Newsprint	223 409	12 810	37 275	198 945
Printing/writing	495 072	523 932	239 283	779 722
Corrugating materials/containerboard	1 158 142	150 307	350 013	958 435
Other wrapping papers	5 724			5 724
Tissue	240 406	20 622	30 192	230 836
Other paper	107 052	53 456	75 711	84 798
Board	31 984			31 984
Total	**2 261 790**	**761 128**	**732 474**	**2 290 444**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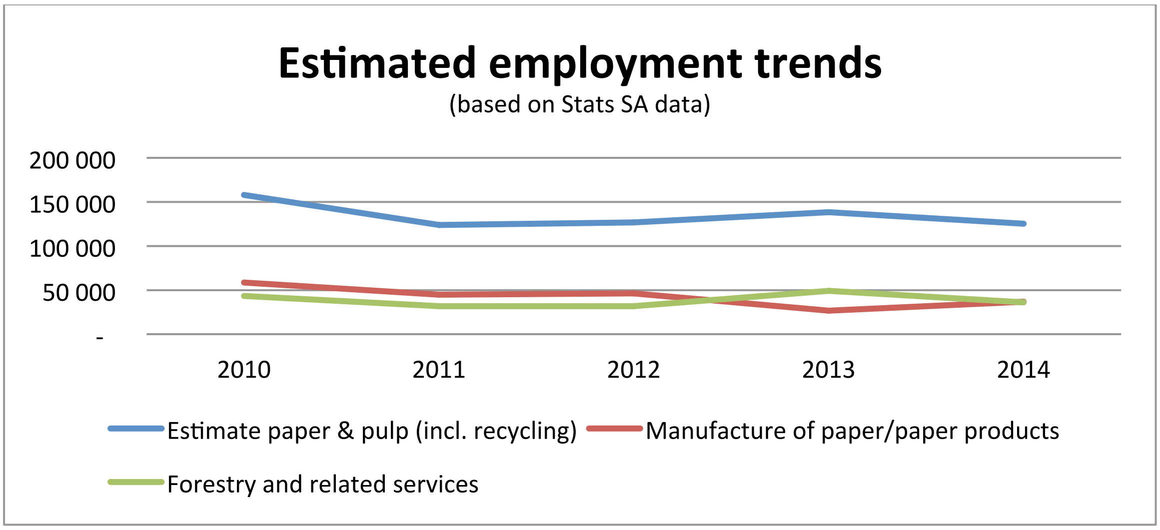
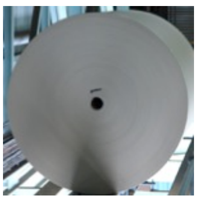
Employment

Job shedding continues in manufacturing and beneficiation, while in forestry employment numbers appear to have increased somewhat, this according to STATS SA. In recycling, collection rates are higher but volumes are down which may explain the lower job numbers in this area.



Economic issues

Pressures on the end-consumer and the economy in general have resulted in an industry under pressure from local demand (increasing policy uncertainty, rising utility and tax costs and constrained energy supplies all negatively impacted on the South African economy) as well as strong global competition. While less recycled fibre was collected from lower production tonnages, recycling rates are higher, supporting the view that more is being done in recycling to keep paper production costs under control. In short, the industry would appear to be pushing hard to make the best of a very difficult situation.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PAPER
MANUFACTURERS ASSOCIATION
OF SOUTH AFRICA (PAMSA)

SUMMARY TABLES AND GRAPHS

TABLE 1: Year-on-year consumption

Summary Tons (1000 tons)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Production											
Printing and Writing Papers	863	925	1,050	1,132	1,066	922	939	790	796	740	718
Packaging Papers	1,245	1,365	1,369	1,400	1,440	1,097	1,341	1,251	1,411	1,350	1,303
Tissue Paper	150	193	191	195	220	224	217	219	220	223	240
Total Paper	**2,258**	**2,483**	**2,610**	**2,727**	**2,726**	**2,244**	**2,497**	**2,261**	**2,427**	**2,313**	**2,262**
Total Pulp	**2,138**	**2,193**	**2,222**	**2,311**	**2,572**	**2,130**	**2,307**	**2,321**	**2,259**	**1,985**	**1,967**
Imports*							(1 000 tons)				
Paper			505	526	507	577	569	576	659	602	537
Packaging Papers			122	132	109	112	138	152	177	201	204
Tissue Paper			43	50	50	45	46	58	28	22	21
Pulp			127	82	114	99	77	79	88	144	230
Apparent Net Consumption	('000 tons)		**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Paper			1,189	1,213	914	1,045	1,166	1,138	1,233	1,078	979
Packaging Papers			1,063	1,138	1,112	795	1,068	1,058	1,217	1,218	1,081
Tissue Paper			223	238	263	261	251	266	237	230	231
Pulp			1,975	1,918	1,991	1,335	1,589	1,227	1,517	1,409	1,328


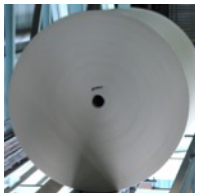
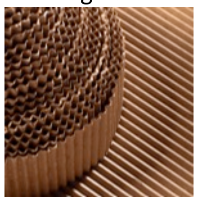

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TABLE 2: Balance of trade

Pulp and Paper Imports Value (Rands '000)	2006 YTD	2007 YTD	2008 YTD	2009 YTD	2010 YTD	2011 YTD	2012 YTD	2013 YTD	2014 YTD
TOTAL : ALL PAPERS AND PULPS	980,458	1,174,242	2,856,239	2,263,073	2,990,528	2,765,479	1,653,488	2,156,352	3,693,173
TOTAL PAPER & BOARD	-1,627,935	-2,027,123	-1,621,202	-1,657,289	-2,236,240	-3,232,275	-3,736,868	-4,227,855	-3,476,092
TOTAL PULP	2,608,393	3,201,365	4,477,441	3,920,363	5,226,768	5,997,754	5,390,357	6,384,207	7,169,265

Table 45.1: Balance of Trade (Exports - Imports)
Table 4: Pulp and Paper Imports

Pulp and Paper Imports Value (Rands '000)	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD
PAPER AND BOARD									
PRINTING AND WRITING PAPERS	**-1,921,412**	**-1,971,563**	**-1,662,155**	**-1,984,611**	**-2,690,169**	**-3,428,462**	**-4,601,600**	**-5,383,951**	**-4,906,675**
Uncoated Paper	656,542	1,072,940	1,916,069	1,052,870	451,603	25,115	-426,692	-688,507	-639,537
Coated Paper	-2,500,630	-3,126,331	-3,750,119	-3,200,617	-3,311,869	-3,593,227	-4,270,929	-4,813,591	-4,419,150
Newsprint and Telephone Directory Paper	-14,572	97,344	232,336	213,876	225,153	231,970	178,014	164,688	150,496
SC Mechanical and LWC paper	-62,751	-15,514	-60,442	-50,739	-55,057	-92,320	-81,992	-46,542	1,515
PACKAGING PAPERS	**945,020**	**810,242**	**1,289,114**	**1,265,282**	**1,168,811**	**1,069,203**	**1,016,389**	**1,275,608**	**1,446,091**
Liner Board	935,556	886,233	1,363,892	1,335,927	1,182,297	1,216,619	1,193,546	1,484,758	1,554,263
Fluting	281,425	168,952	278,977	235,022	281,447	246,732	206,442	255,900	322,617
Other Kraft paperboard and fibreboard	-271,962	-244,943	-353,756	-305,667	-294,932	-394,149	-383,599	-465,049	-430,788
TISSUE PAPER	**-651,543**	**-865,803**	**-1,248,160**	**-937,960**	**-714,882**	**-873,015**	**-151,657**	**-119,512**	**-15,508**
Tissue Paper	-651,543	-865,803	-1,248,160	-937,960	-714,882	-873,015	-151,657	-119,512	-15,508
TOTAL PAPER AND BOARD	**-1,627,935**	**-2,027,123**	**-1,621,202**	**-1,657,289**	**-2,236,240**	**-3,232,275**	**-3,736,868**	**-4,227,855**	**-3,476,092**
PULP									
Mechanical Pulp	-314	-431	310	-348	154	523,631	222	813	-1,771
Thermo-Mechanical Pulp	-	-	-	-	-	-	-	-	-
Semi-Chemical Pulp	-21,631	-26,748	357,741	-15,174	-12,943	-22,444	-14,955	-21,755	-12,688
Chemical Pulp	2,619,825	3,208,328	4,137,693	3,988,988	5,237,653	5,420,217	5,272,750	6,301,306	7,108,308
Other Pulp	10,513	20,216	-18,303	-53,102	1,904	76,349	132,339	103,843	75,417
TOTAL PULP	**2,608,393**	**3,201,365**	**4,477,441**	**3,920,363**	**5,226,768**	**5,997,754**	**5,390,357**	**6,384,207**	**7,169,265**


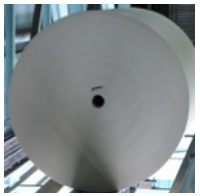
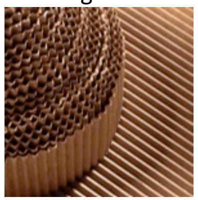

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TABLE 3: Recovery of recyclable paper

Recovery of recyclable paper

	Paper Recovered in South Africa	Recovered Paper Imports	Recovered Paper Exports[1]	Consumption of Recycled Paper in SA
Newspapers	109 973	300	22 839	87 434
Magazines	53 729	1 431	11 246	43 914
Corrugated, solid cases, kraft papers	734 804	32 975	18 280	749 499
Office, graphic papers	60 239	9 772	8 989	61 021
Mixed and other papers	104 385	11 155	10 760	104 780
Total	**1 063 129**	**55 633**	**72 114**	**1 046 648**

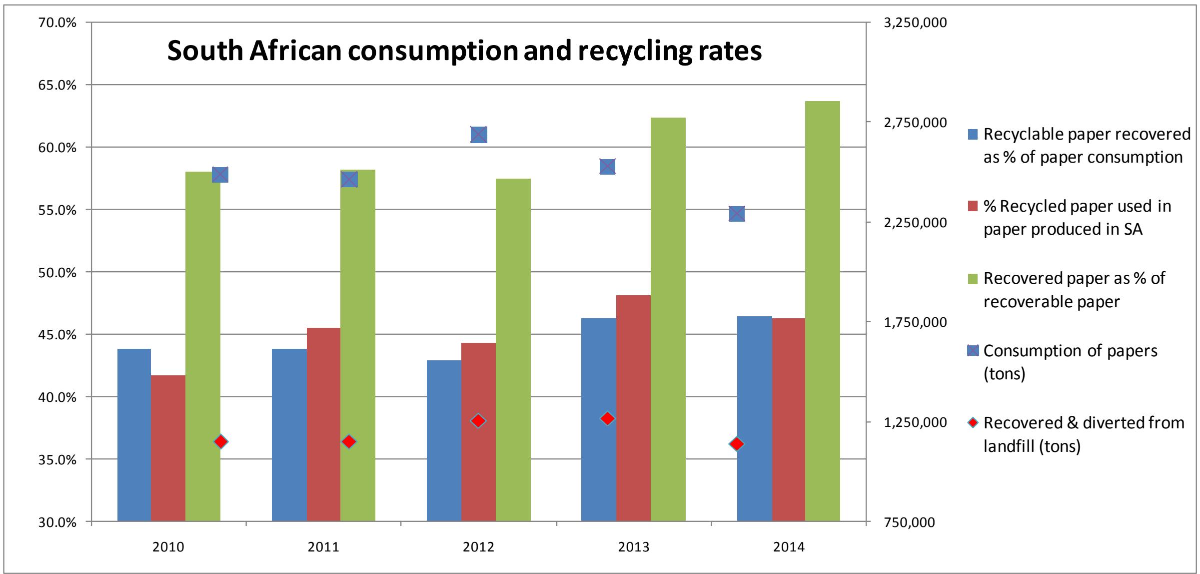

TABLE 4: Recoverable paper

Recoverable paper

Paper consumption	2 290 444
Less paper exported in agric products[2]	205 657
Less paper unsuitable for recovery[3]	413 720
Recoverable paper	**1 671 066**

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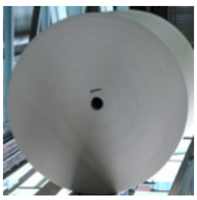


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