



RISI Outlook for North American Gravure Paper Markets

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Vice President

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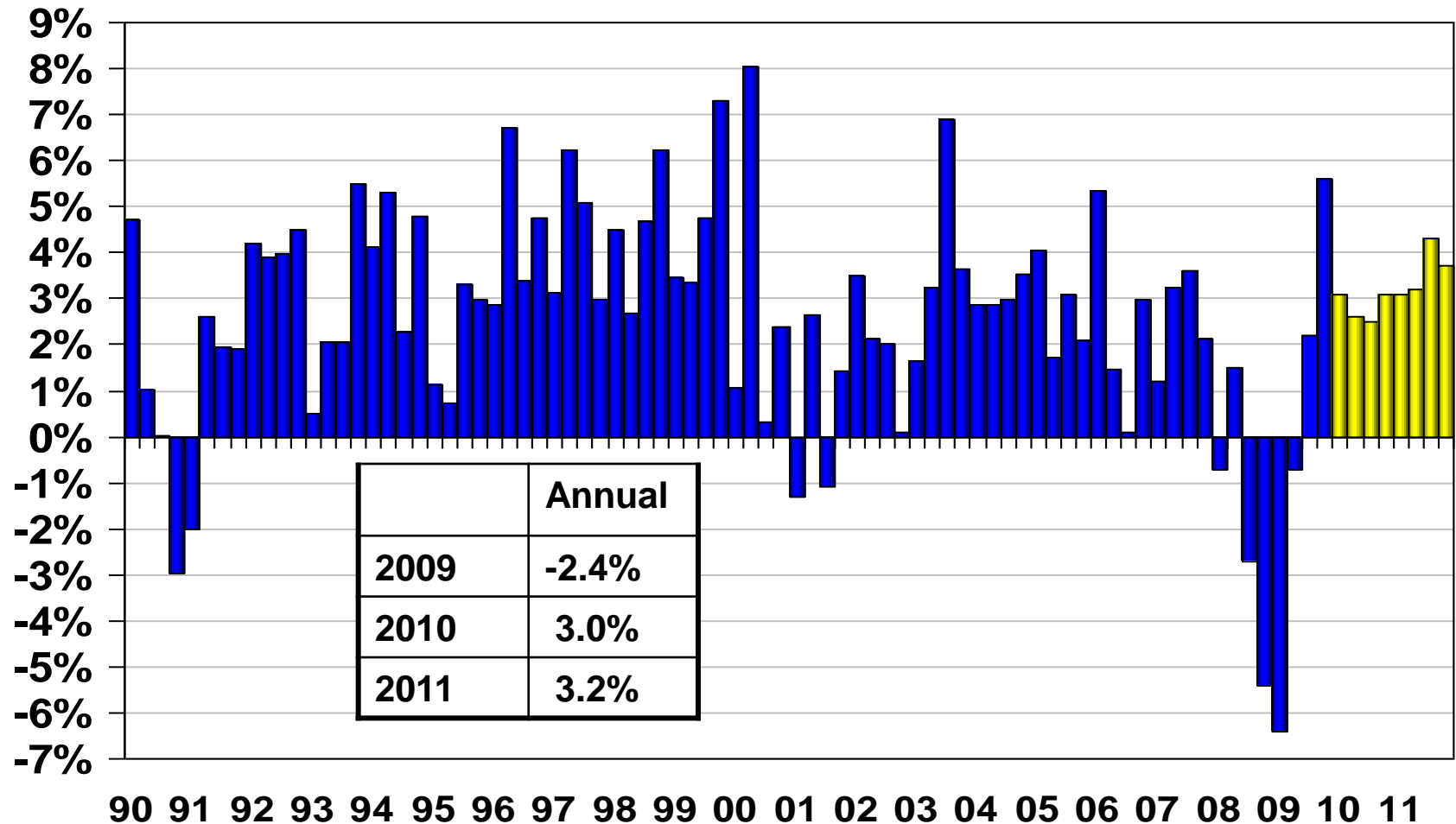


- ▶ John Maine, VP World Graphic Papers, RISI, Inc.
 - Co-Founder of Resource Information Systems, Inc.
 - With RISI More Than 30 Years
 - Developed RISI P&W Models
 - Works With Over 200 Graphic Paper Clients Worldwide
 - Assisted by 5 Local Economists in RISI Regional Offices
 - Directs Numerous Multi and Single-Client Studies on Graphic Paper



US Climbing out of Deep Recession

(Real GDP Growth, Annualized Percent Change)



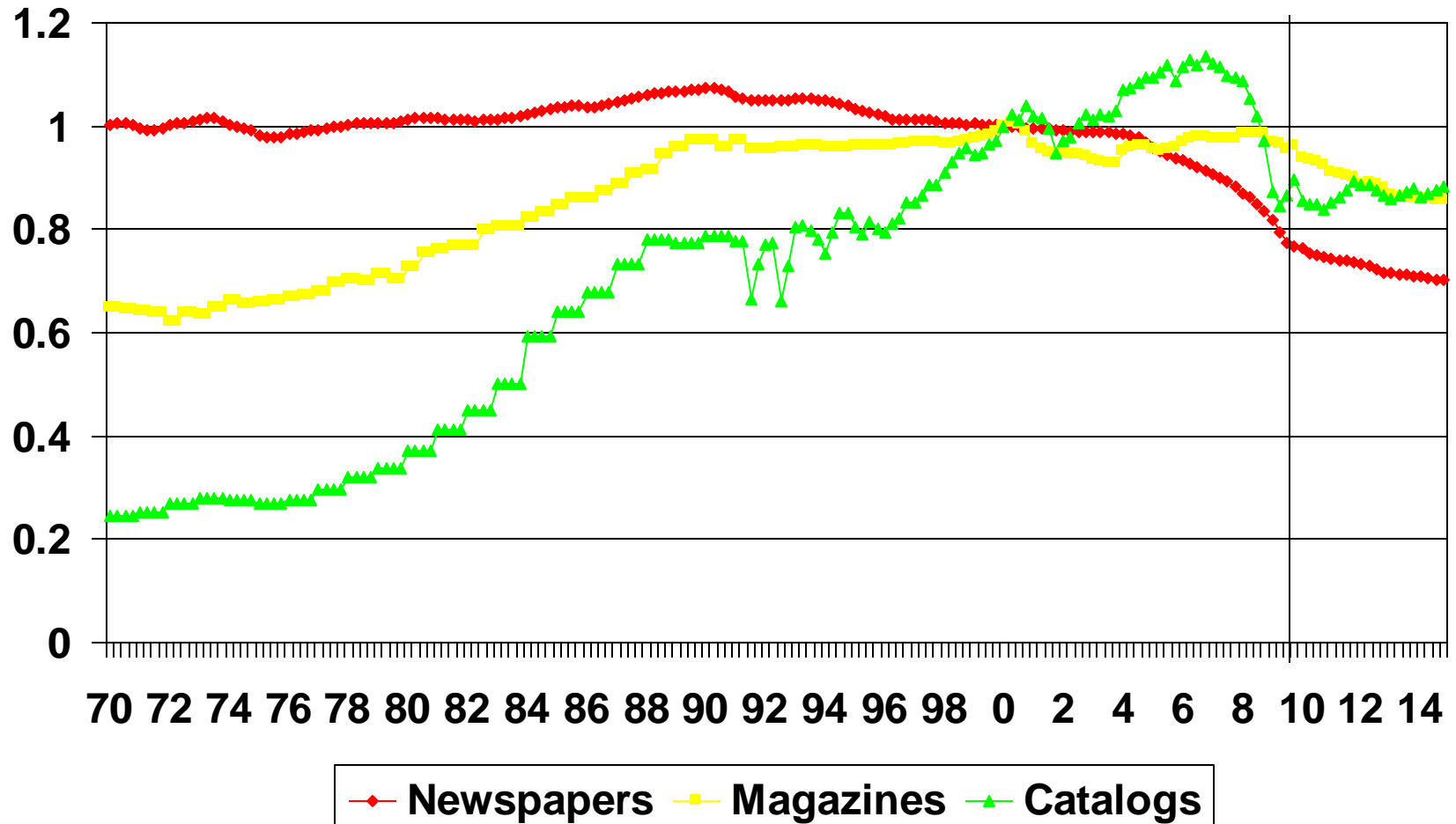
Key Gravure End-Uses Have Collapsed

- ▶ Newspaper Inserts
 - Struggling to find alternative distribution outside of collapsing newspaper market
- ▶ Magazines
 - Both circulation and ad pages declining
 - Further losses coming due to e-readers
- ▶ Catalogs
 - Circ will come back from 09, but still down long-term
 - Page counts falling
 - Postal costs will rise
 - Do not mail legislation to come?

US Paper Demand in Major Gravure End-Uses Collapsed in 2008 and 2009 (two-year loss)

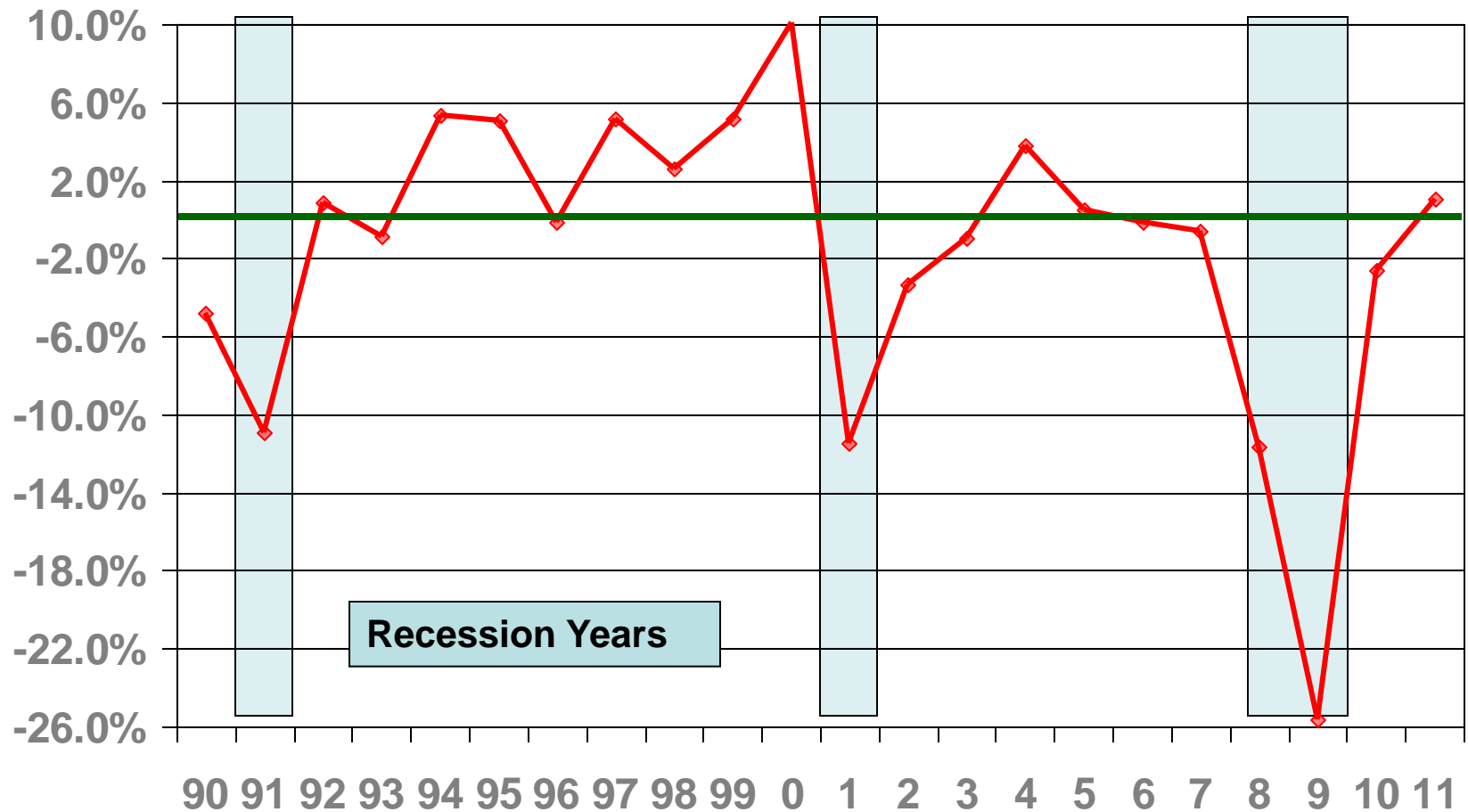
	Percent Loss	Tonnage Lost (000 tons)
Inserts	-26%	-895
Magazines	-39%	-1,365
Catalogs	-31%	-1,112

Indexes of Circulation – 2000Q1=1.00



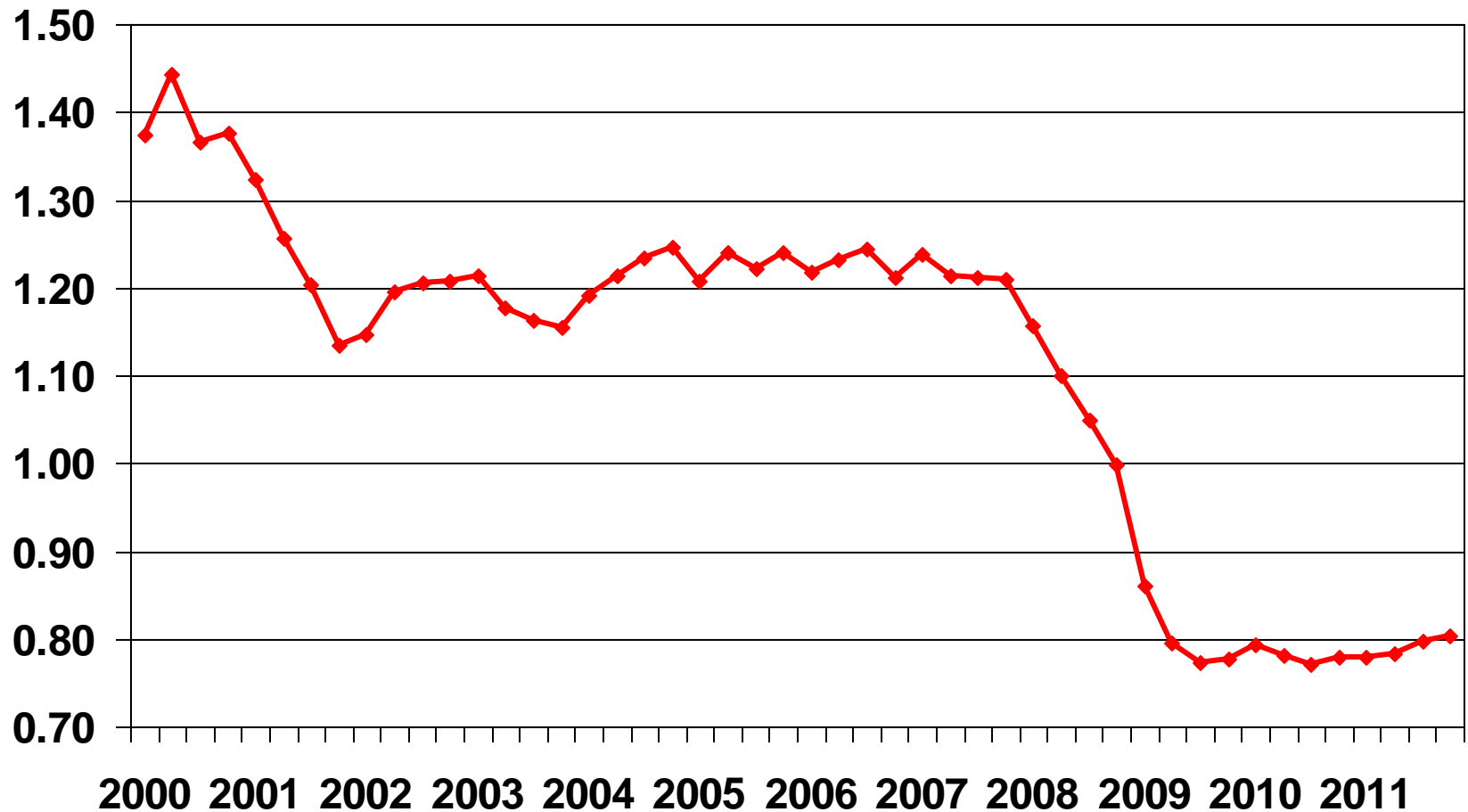
US Magazine Ad Page Decline Affected by Both Cyclical and Structural Issues

(PIB Magazine Ad Pages, Year-Over-Year Percent Change)

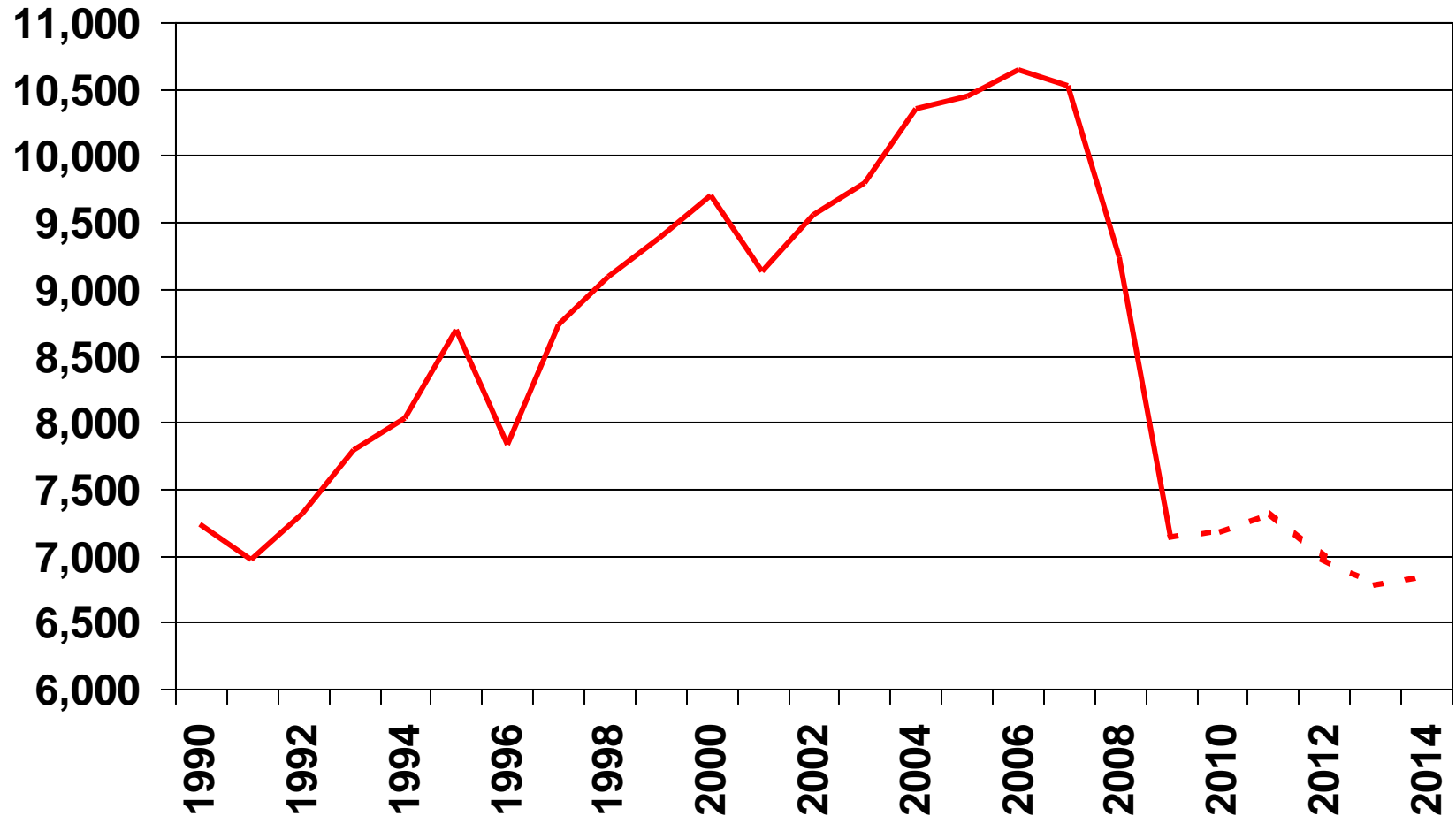


US Magazine Ad Pages on Long-Term “Stair-Step” Decline

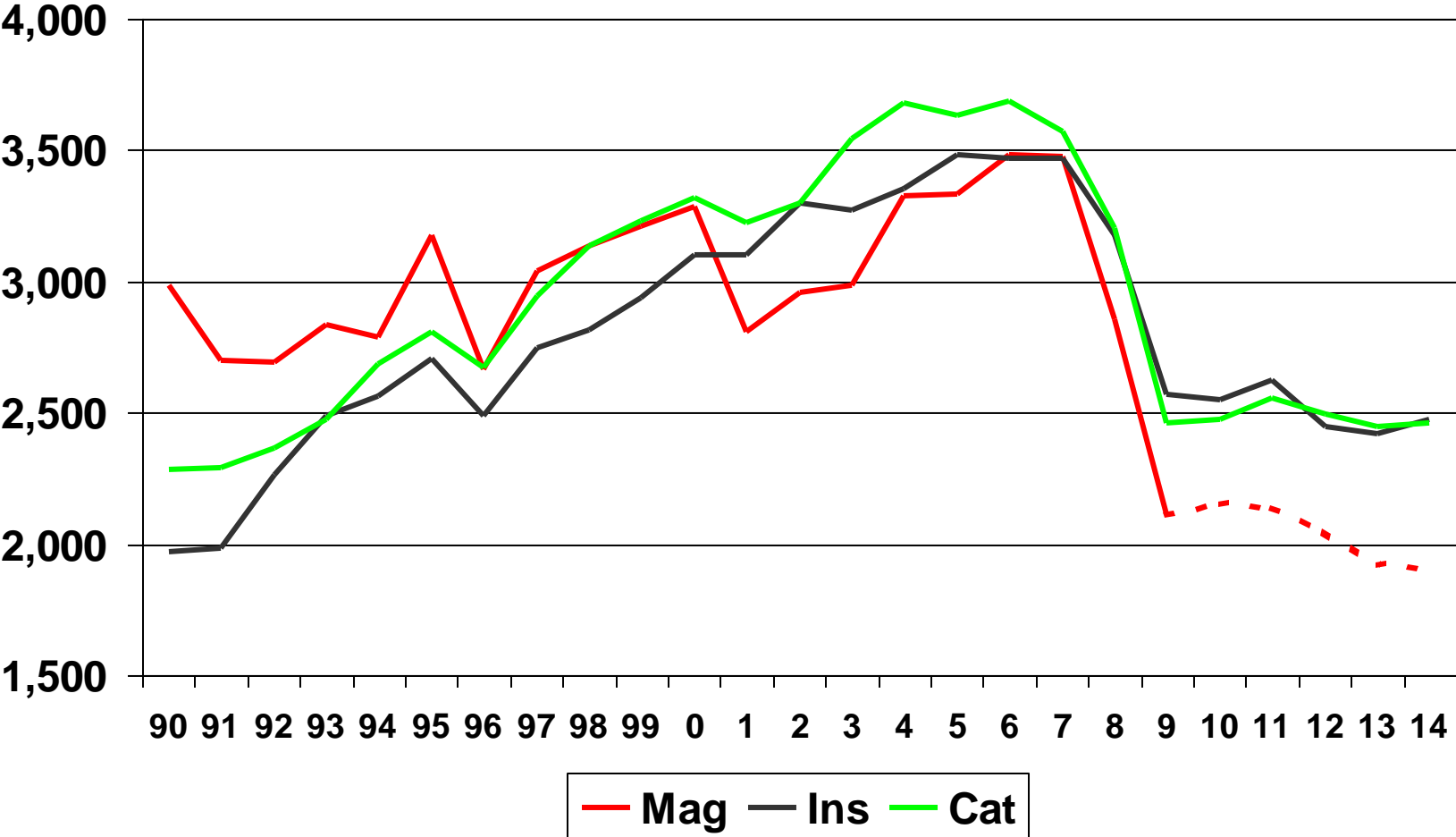
(Quarterly PIB Magazine Ad Page Index, 1982=1.0)



Total Paper Usage in US Magazines, Catalogs, and Newspaper Inserts Combined (000 tons)

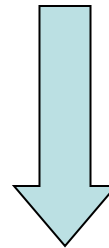


Paper Usage in US Magazines, Catalogs, and Newspaper Inserts (000 tons)

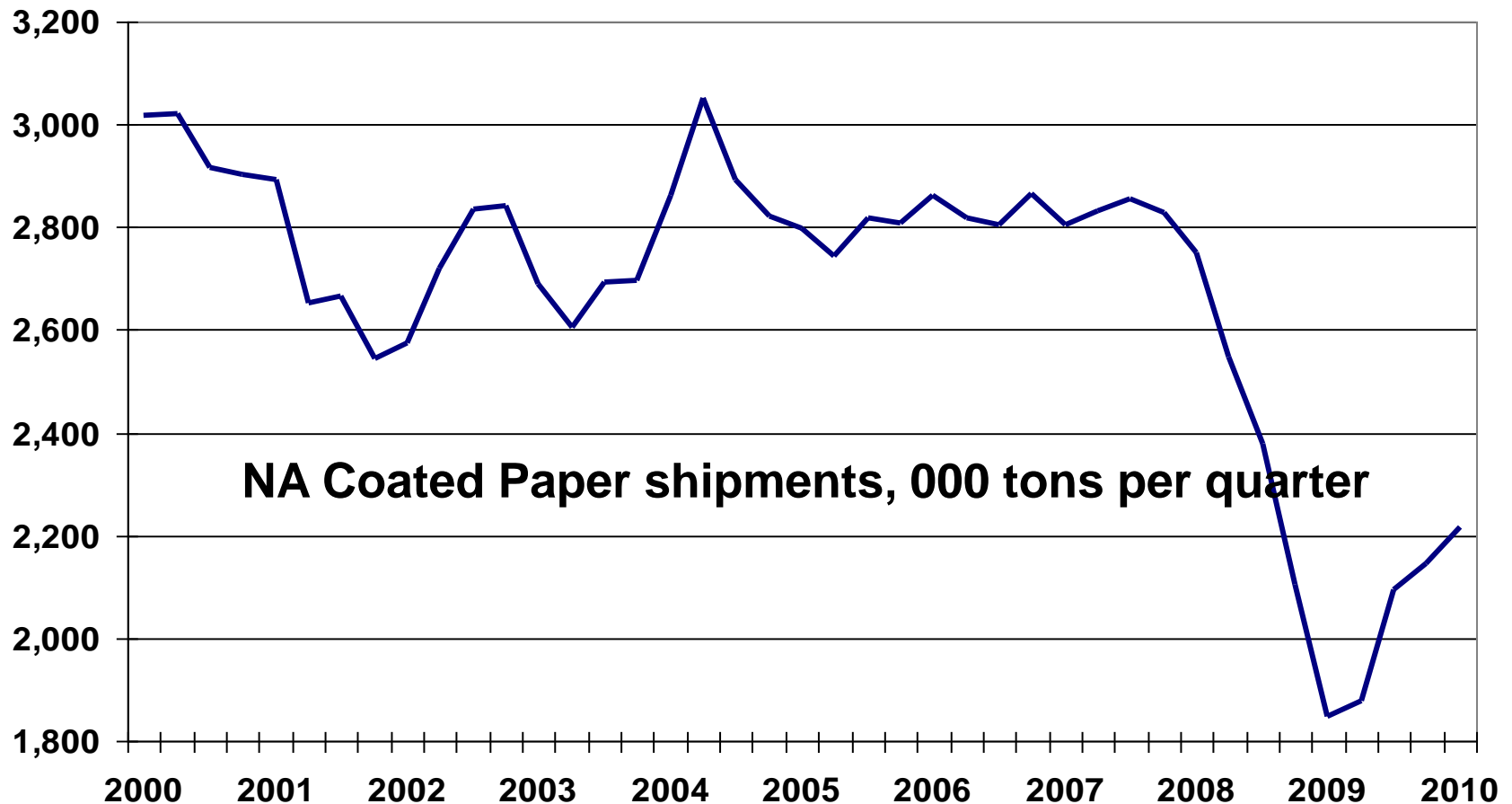


Paper Demand Surging in 2010, Despite Weak End-uses

- ▶ All Major Measures of End-Use Activity are Down
 - Mag ad pages
 - Mail volumes
 - Catalog circulation
 - Commercial print activity
- ▶ Yet, Paper Demand and Shipments are Recovering
 - Inventory swing
 - Gain in market share from imports



US Producers Enjoyed a Rebound in Shipments in Late 2009, and Year-Over-Year Numbers Will Continue to Look Good in Early 2010, but Paper Demand is Still Low



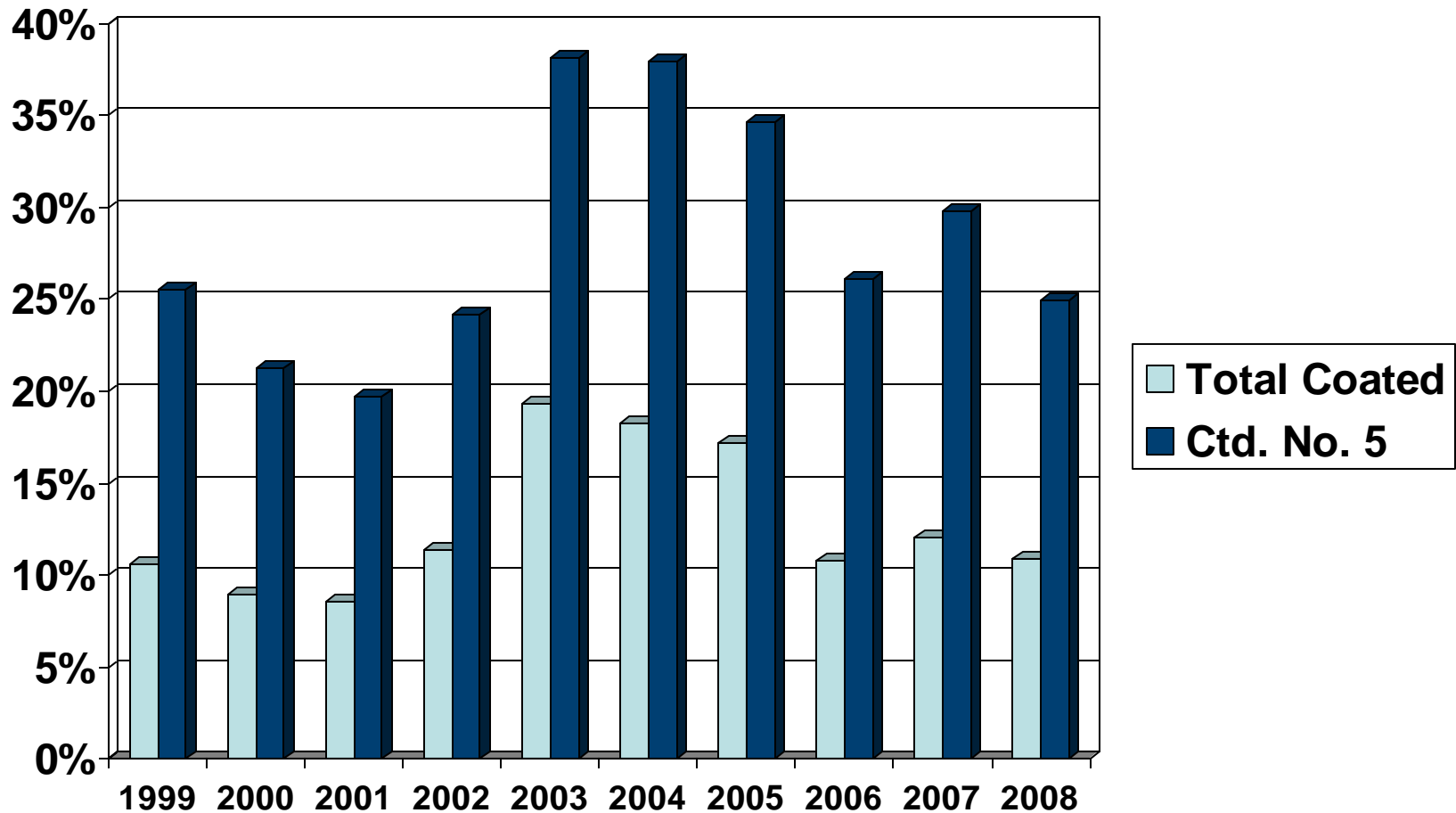
North American P&W Demand by Grade

Million Tonnes, % Change

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Ctd. Freesheet *	6.1	5.3	4.0	4.1	4.2
%ch	-8%	-13%	-24%	2%	3%
Ctd. Mechanical	6.0	5.1	4.0	4.1	4.1
%ch	3%	-15%	-21%	2%	1%
Unc. Freesheet *	12.4	11.4	10.0	9.9	9.8
%ch	-5%	-8%	-12%	-1%	0%
Unc. Mechanical	6.2	6.0	5.0	5.0	5.1
%ch	2%	-4%	-17%	0%	3%
Total	30.7	27.7	23.0	23.0	23.3
%ch	-3%	-10%	-17%	0%	1%

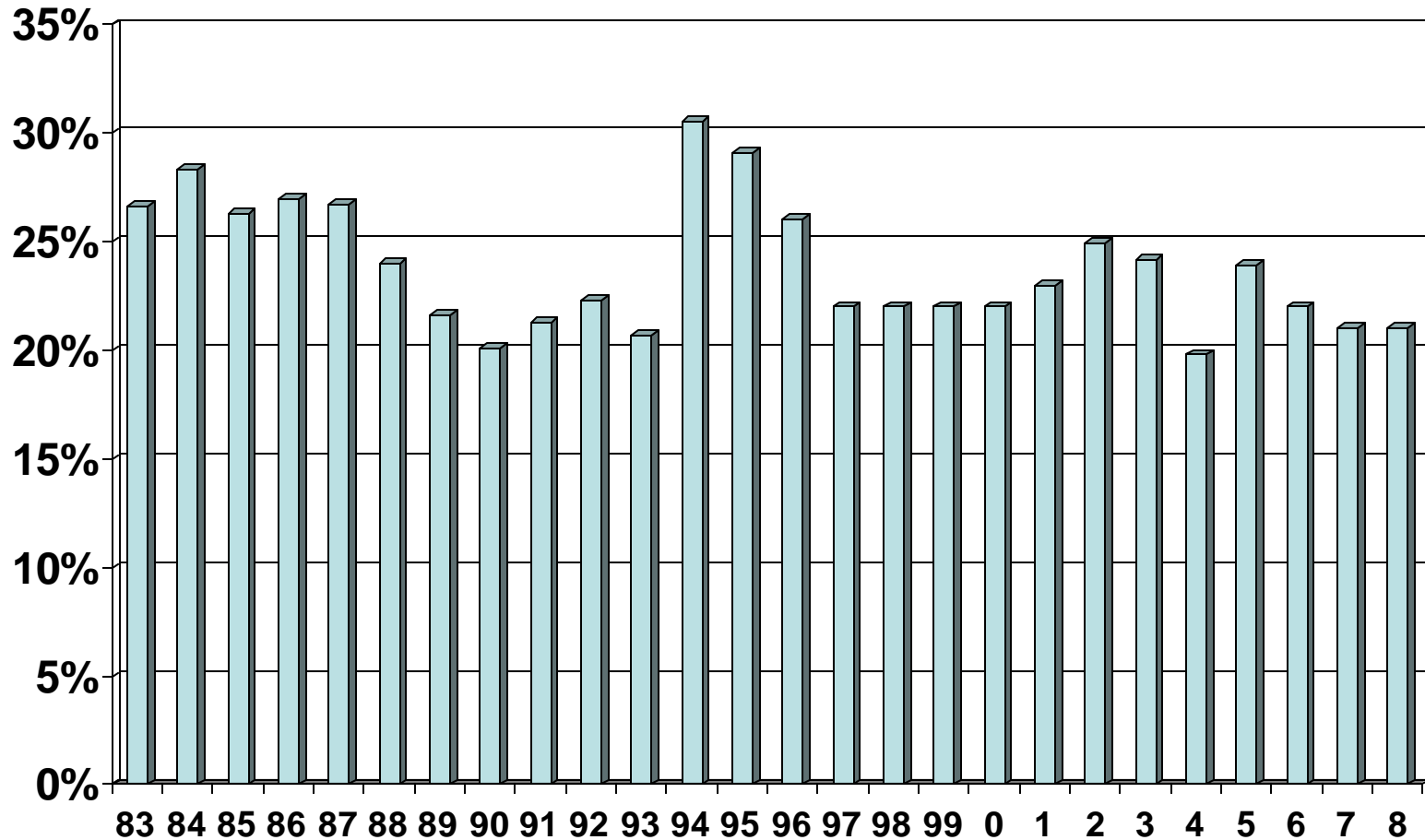
*Includes bristols and cotton

Gravure Paper as Percentage of Total US Coated Paper Shipments



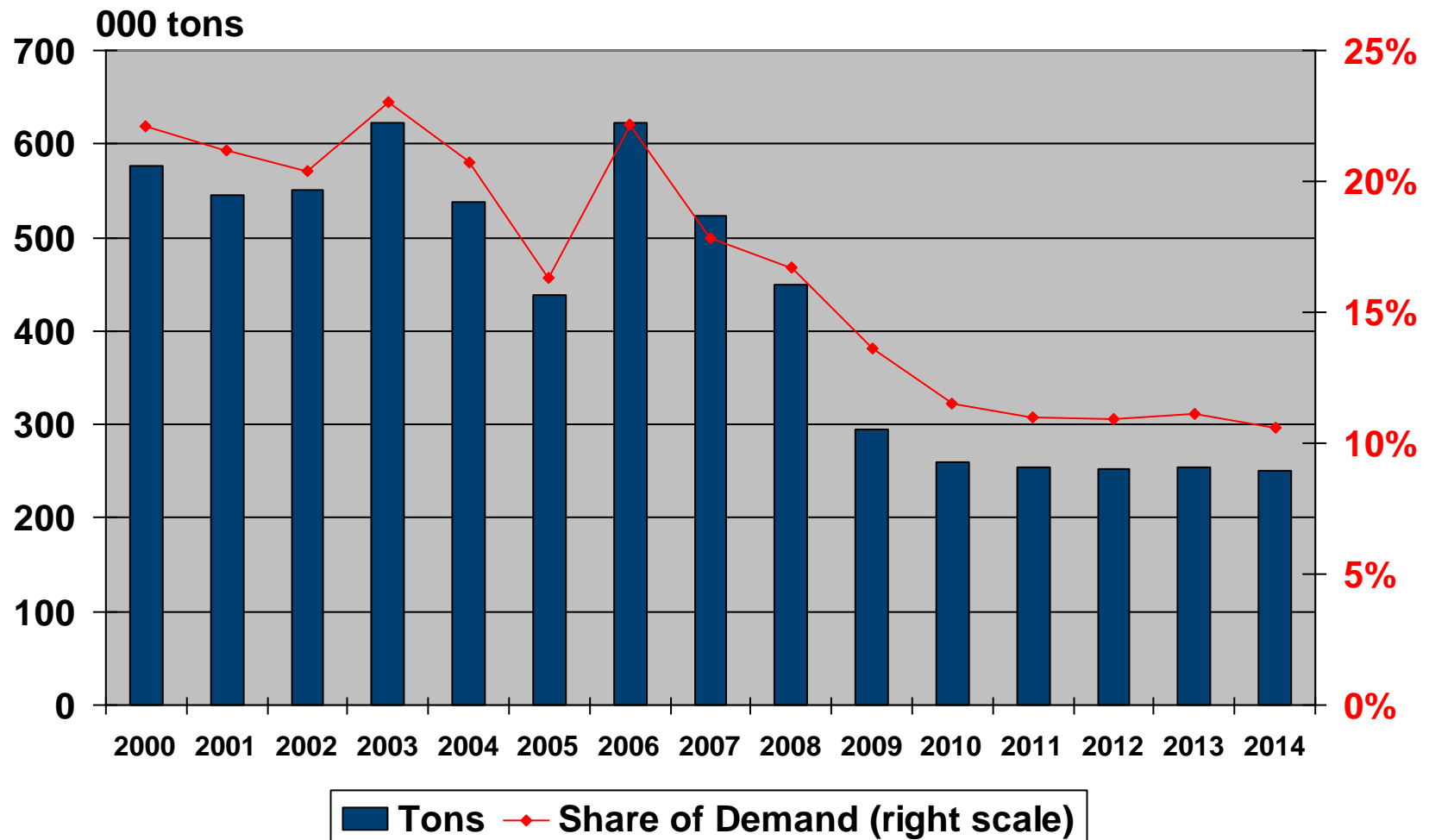
Source: AF&PA

Gravure Paper as Percentage of Total Paper Used in North American Magazines

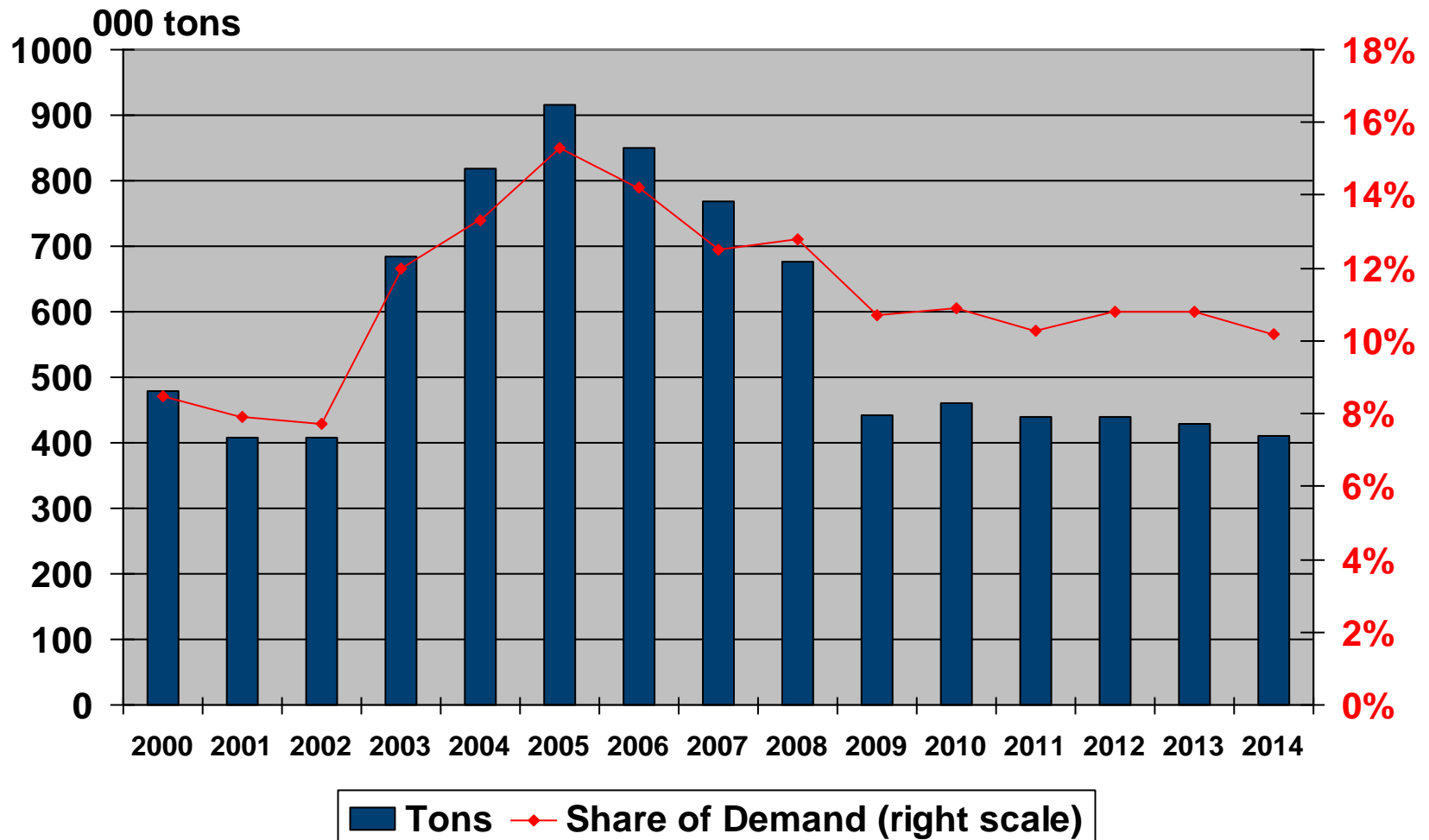


Source: MPA Paper Survey

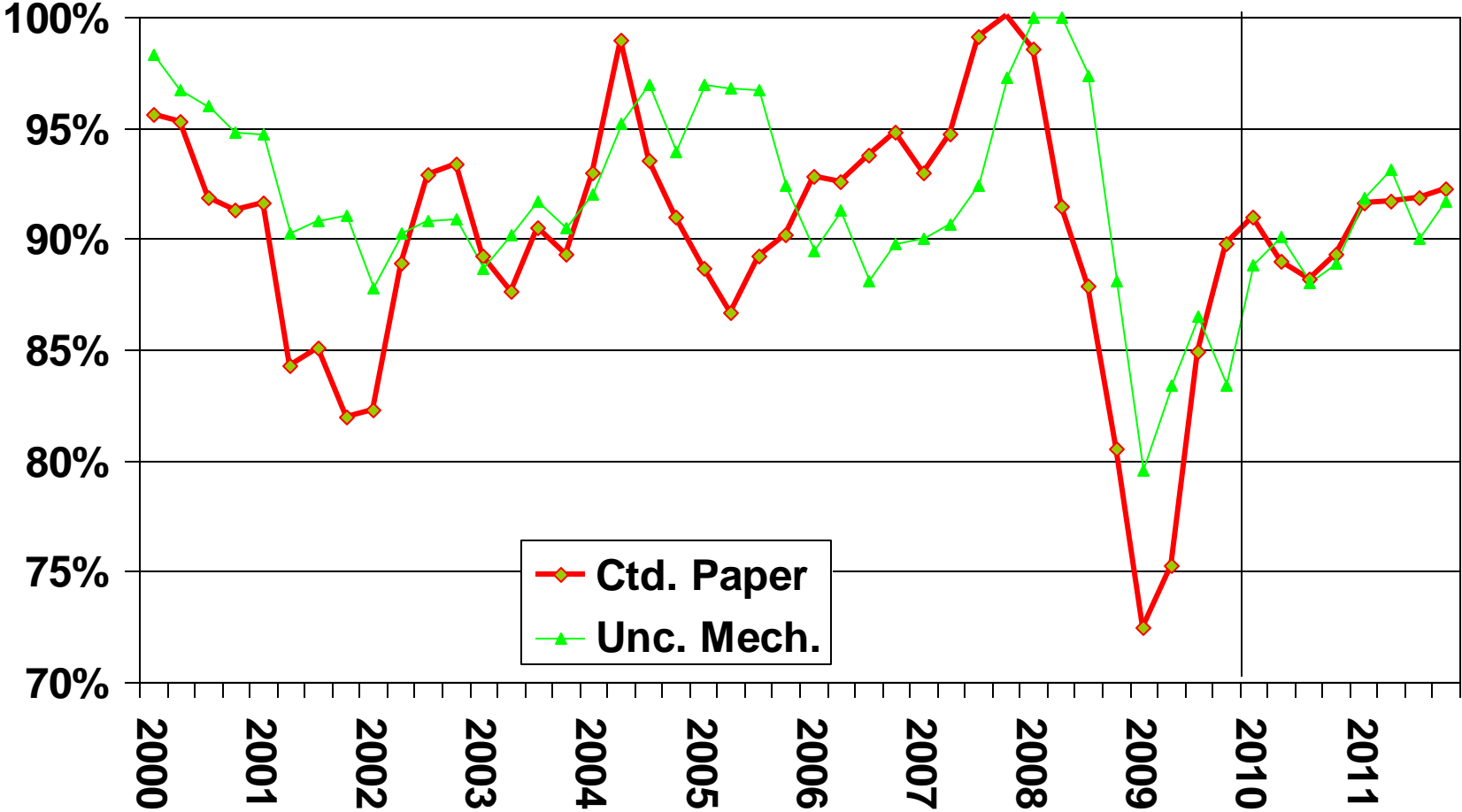
European Imports of SC Uncoated Mechanical Into the US Market Settle at 10% of US Demand



European Imports of LWC Coated Mechanical Into the US Market Also Settle at 10% of US Demand

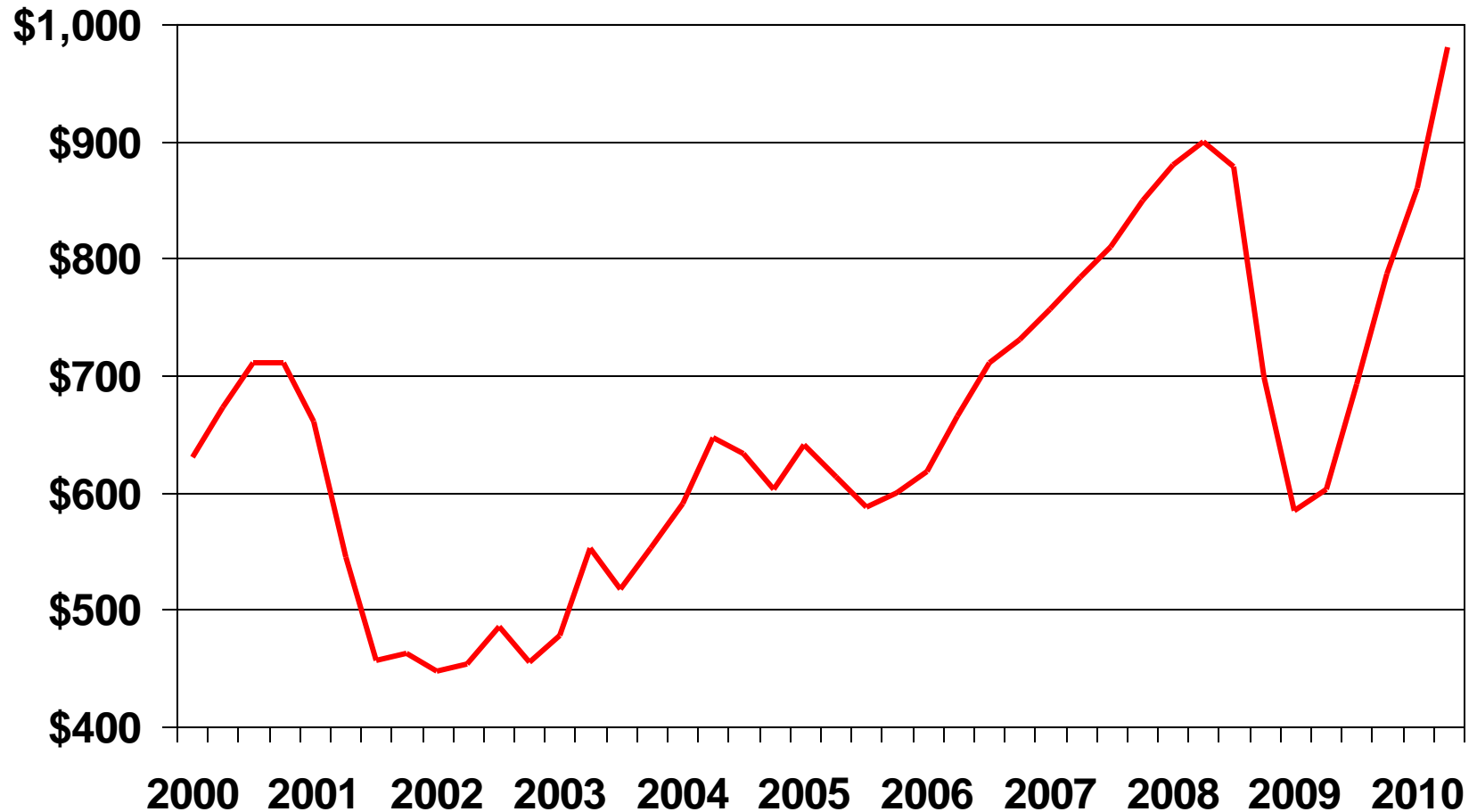


North American Operating Rates – Coming Off the Lowest Ever Recorded for Coated Paper

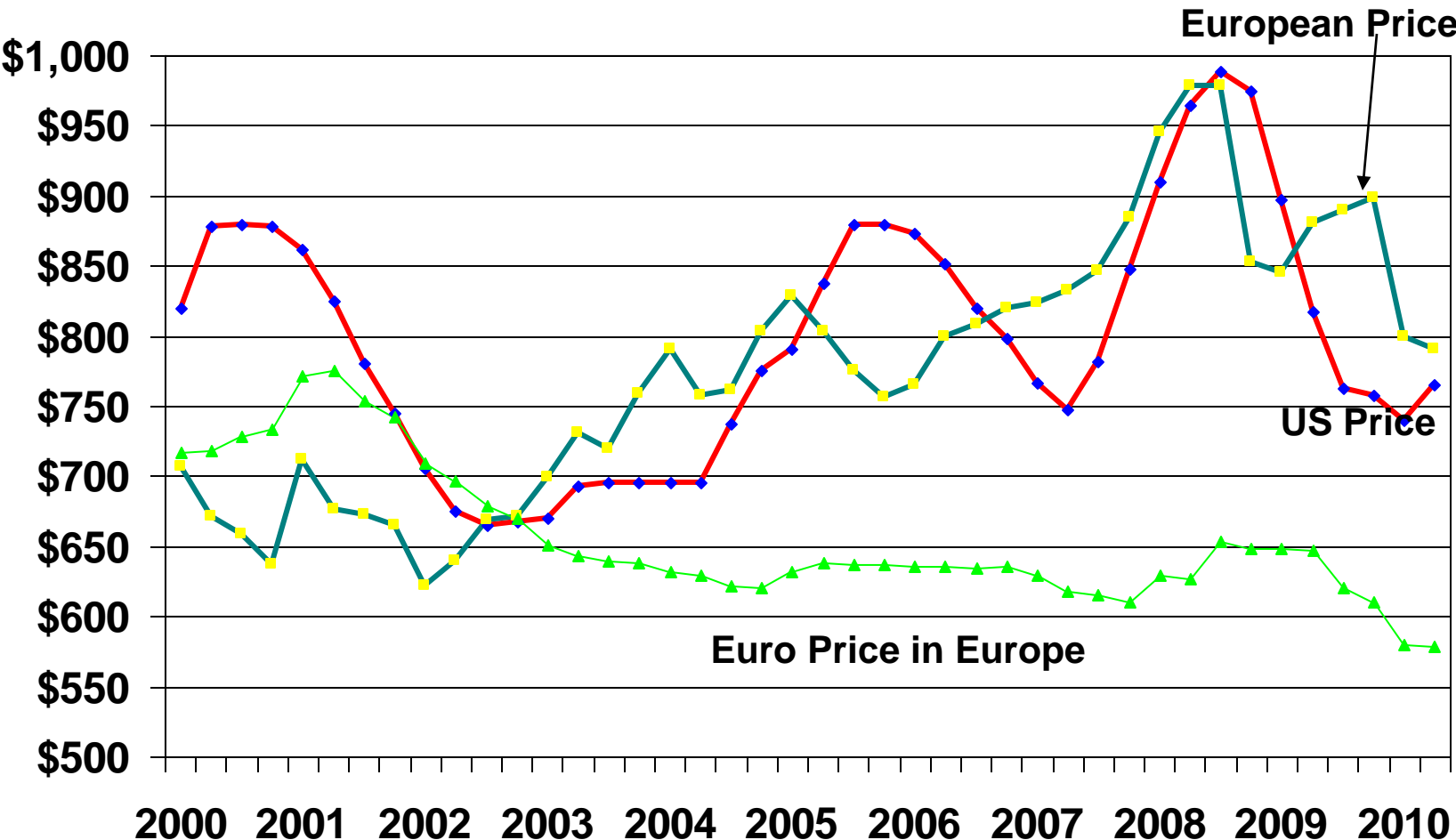


Cost Pressures Come to Bear on SC/LWC Mills

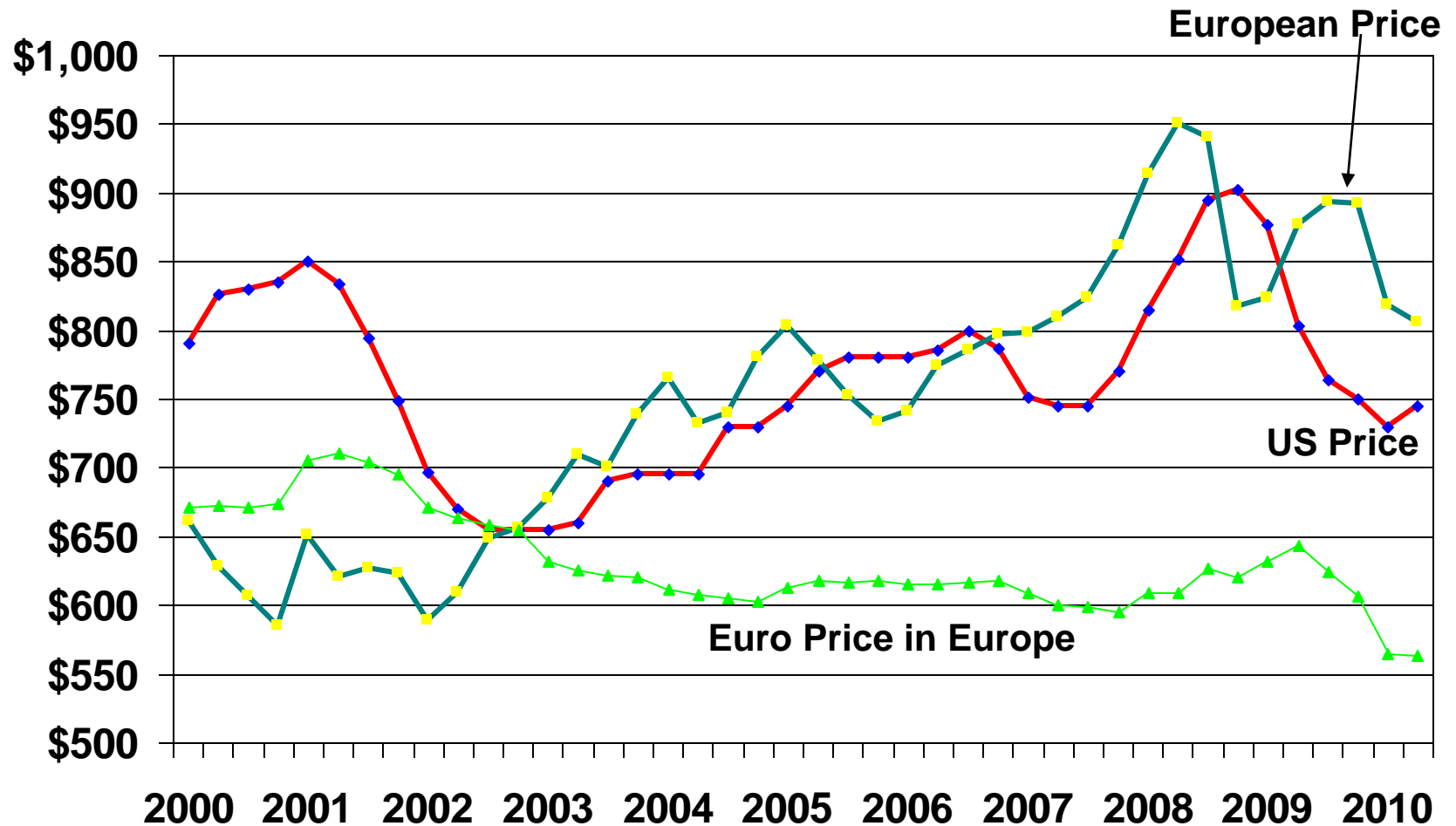
(NBSK Market Pulp Price Delivered to Northern Europe \$/tonne)



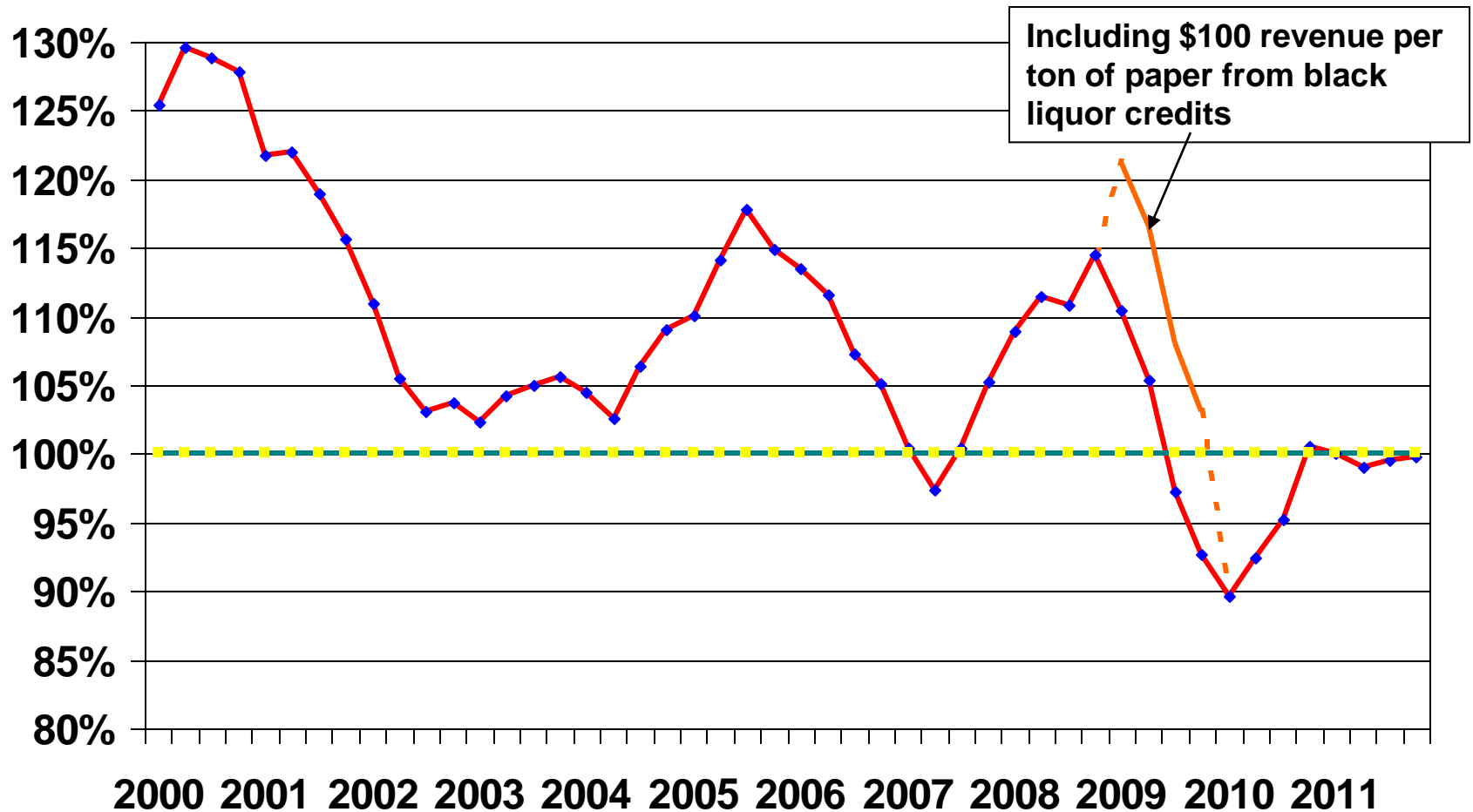
Price Trends for LWC 40 lb. (60 gsm) (\$US/short ton)



Price Trends for SC-A 35 lb. (53 gsm europe) (\$US/short ton)



Price as a Percentage of Fully Weighted Costs ¹ for Northern Mills Making 34 lb. LWC in Maine, Minnesota, and Wisconsin



¹ Fully weighted costs include delivery, SG&A, Interest, and Depreciation.