



The Pulp & Paper Industry in Uruguay

FACT PACK

Swedish Trade Council
August 2008

THE SWEDISH TRADE COUNCIL MAKES IT EASIER FOR SWEDISH COMPANIES TO GROW INTERNATIONALLY

Sweden:

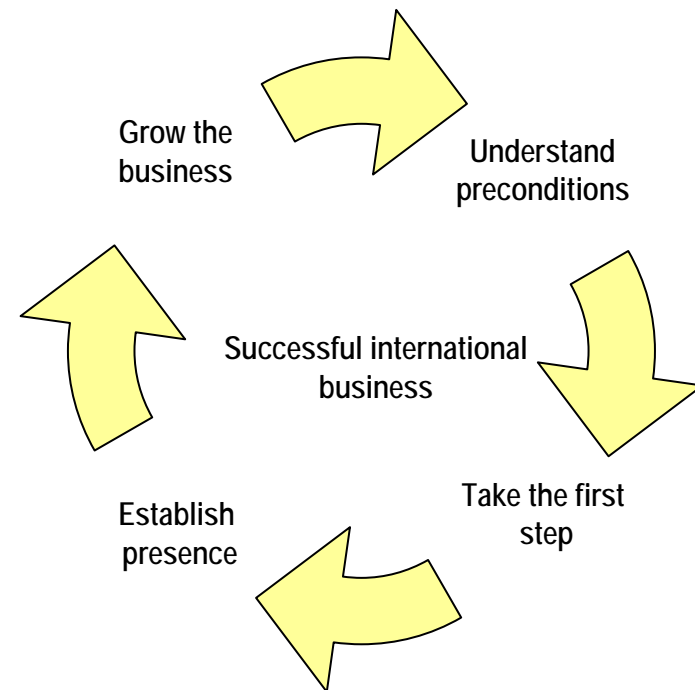
- Headquarters in Stockholm, 80 employees
- 22 regional export advisers
- All Trade Commissioners regularly visit different parts of Sweden

Abroad:

- 60 places, 400 employees in 52 countries
- Through partners and networks we cover more than 100 countries

Uruguay:

- Covered from Buenos Aires office (Argentina)
- 7 employees



Vision of the office:
STC is the primary consulting partner for Swedish companies
doing business in Uruguay

URUGUAY IN BRIEF

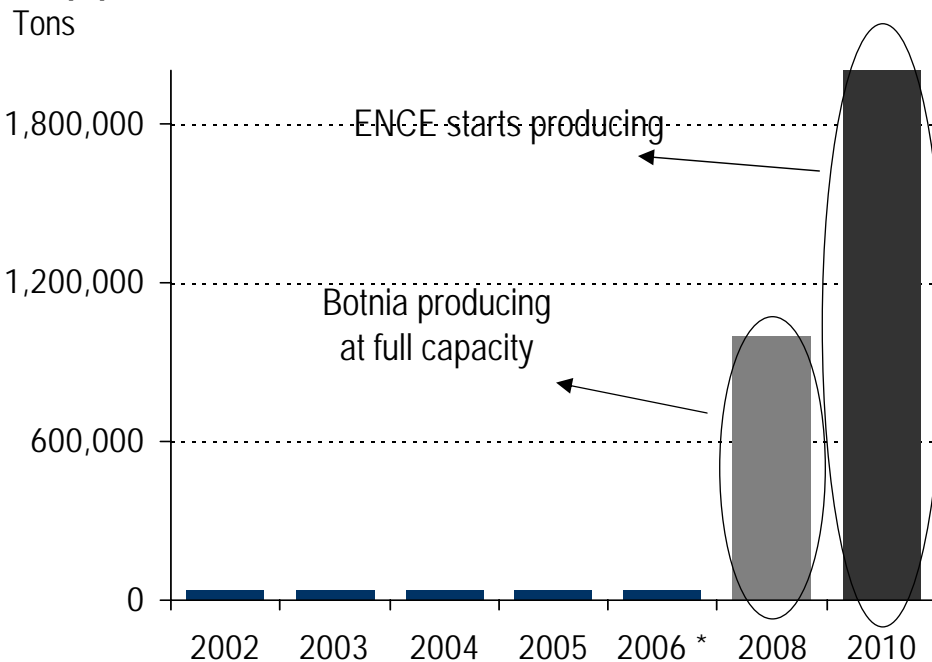
- Area: 176 215 km²
- Inhabitants: 3.47 million
- Constitution: Democratic republic
- Head of State: President Tabaré Vazquez
- Languages: Spanish (official), English often spoken in business
- Inhabitants per km²: 20/km²
- Currency: Peso
- GDP 2006: 19 308 MUSD
- GDP per capita 2006: 5 500 USD
- Inflation: 6.3% (2006)
- Main exports: Meat, food & beverage and agriculture products
- Main imports: Machinery & equipment, oil & gas, inputs for production
- Swedish Exports to Uruguay 2006: 194.4 MSEK
- Swedish imports from Uruguay 2006: 152.9 MSEK



PULP IS TO BECOME ONE OF URUGUAY'S LEADING INDUSTRIES

- And Uruguay is being considered a major hot spot in the international scenario

Pulp production

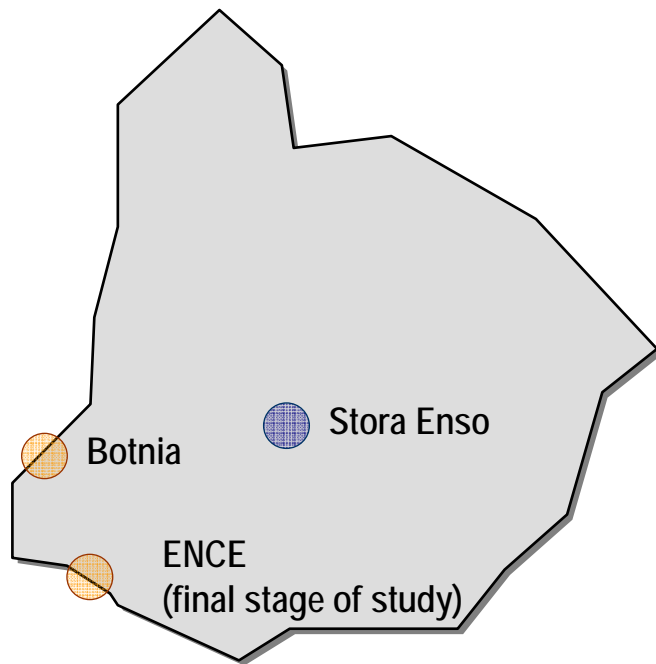


- Metsä-Botnia is already installed in the Southwest with a potential capacity of 1M ton/yr, its exports summed up 94 MUSD in 2007.
- Metsä-Botnia invested 1 BUSD to start operation. ENCE and Stora Enso, both to start producing in the short term, are investing about 1.25 BUSD each.
- Exports are expected to be more than 800 MUSD, once all the plants start to operate.

Start-up of Metsä-Botnia drove the 84% increase in pulp & paper production in 2007

URUGUAY IS BECOMING ONE OF THE WORLD'S PULP HOT-SPOTS

- ENCE is finishing to install its plant, while Stora Enso plans to do the same in a few years




- Botnia invested 1,200 MUSD in the construction of their plant in Fray Bentos, near Uruguay river. They have their own port to export the production.
- ENCE plant relocation will be decided by the end of 2007, but is expected to be in Colonia area. The relocation also implied a change in the project: instead of the planned 500,000 tons. of production the plant will be designed to produce 1 million tons. Total investment will reach almost 1,200 MUSD.
- Stora Enso is in the first face of their investment in Uruguay, the forestry stage. Total investment of the company is expected to reach 1,000 MUSD between forestry and the construction of the plant.
- Uruguay's government and community strongly support the installing of these plants due to the economic importance that they will have. These projects will become an important source of employment for Uruguay.
- There are other several foreign pulp producers interested in starting operations on the Uruguayan market

Botnia's and ENCE investments are the largest private investment in Uruguay's history.

BOTNIA: THE MOST IMPORTANT FINISH INVESTMENT ABROAD

- The company is investing 1,200 MUSD in a plant which is one of the largest in the world

Botnia in Uruguay



Concept	
Investment	1,200 MUSD
Production capacity	1,000,000 tons.
Planned exports	All production
Direct jobs	300

- For the maintenance of the plant Botnia hired Andritz (Austria). This company will provide equipment and technology to Botnia.
- The plant infrastructure is very important, and Botnia has built its own port to export the production.
- Botnia's plant started producing by the end of 2007, and is already fully operational.

Strategy

- Botnia bought two companies in 2005 - CIA forestal oriental and Tile forestal - to supply wood for the pulp plant under construction. Total forested area is 60,000 hectares.
- 70% of the required wood for the plant is supplied by Botnia forestry companies, and the rest by independent producers with long-term contracts.

Financing

- The Nordic Investment Bank established a branch in Uruguay, and lend Botnia 70 MUSD to complete the plant construction.
- IFC, a World Bank investment branch loaned 170MUSD to the construction of the plant, and granted guarantees for 350 MUSD.
- Uruguay's government fully supports Botnia operations in the country.

The mill in Uruguay is 60% largest than prior largest Botnia-mill

ENCE: NEW COMPANY STRATEGY LEADS TO MODIFY URUGUAY'S PROJECT

- The company seeks to focus on pulp production and Uruguay's plant is key for this purpose

ENCE in Uruguay



Concept	
Investment	1,200 MUSD
Production capacity	1,000,000 tons.
Planned exports	All production
Direct jobs	Approx. 300

- ENCE operations in Uruguay started on 2003, when the company announced the construction of a pulp plant.
- After conflict with Argentina, ENCE decided to relocate in Punta de Pereira, where it started the construction of its plant in January 2008
- The plant is planned to be fully operational by 2010.

Strategy

- ENCE new strategy is focusing on pulp, its core business, in order to increase profits.
- The new strategy led to a change in the planned plant. The new project plans a plant twice the size of the original project, with an increase in the investment amount.
- The original project planned the plant construction in Fray Bentos, near to Botnia's plant location.
- The company started the construction, but due to the international conflict agreed to cease working.
- ENCE new strategy led to a new project and they decided to relocate the plant as well.


Uruguay plant will receive more than 75% of ENCE's total investment in the next years

STORA ENSO: FIRST FORESTRY AND THEN A PULP PLANT

- The world leading pulp and paper company is also investing in Uruguay

Stora Enso in Uruguay

Concept	
Investment (€)	1,200 MUSD
Production capacity	1,000,000 tons.
Planned exports	N/A
Direct jobs	3000



- The pulp plant will be constructed in Durazno area, in the centre of the country.
- The plant construction is not yet defined, but is expected to be finished by 2012.
- Production will be fully exported once the plant starts to operate.

Strategy

- The company expects that by producing in Uruguay it will be able to strongly increase its profits due to low pulp production cost on the country.
- Uruguay and Brazil are strategic markets for Stora Enso due to rapid growth of forests which translates in low production costs.
- Stora Enso is investing in forestry to be able to supply the plant that they are planning to build.
- The objective is to have 100,000 forested hectares in Uruguay.
- Forestry production is combined with cattle breeding and agricultural production in a combined production cycle.

Infrastructure investments will be needed to export pulp production due to the planned location of the plant



MILLIONAIRE INVESTMENTS FOR URUGUAY IN THE UPCOMING YEARS



- ENCE is currently carrying out an initial investment of **1.25 BUSD** to start operations in Uruguay
- After relocating in Punta de Pereira area, the plant has already achieved the environmental approval
- The plant will produce 1 M tons a year of pulp and will generate 140 MW of renewable energy, of which 60 MW will be redirected to the local urban electricity network



- Portucel announced they will install a pulp mill in Uruguay. They estimate the initial investment will be of **3.0 BUSD**. The company has started to negotiate agreement that will establish the frame for the payment.
- Protucel projects to install an industrial complex including a free trade area, a pulp mill, a port and a energy generation plant. It is still though uncertain the exact location of the facilities (to avoid speculative rises in land prices)



- Argentine Group Tapebicuá paid a total of 90 MUSD for Uruguayan Fanapel in 2007. This way the company now also controls Celulosa Argentina, which was previously owned by Fanapel.
- Early in 2008, the group announced, they will invest **1 BUSD** in a pulp mill (location still uncertain) to produce 700 thousand to 1 million tons a year of pulp.



- IPUSA is owned by Chilean CMPC Holding.
- CMPC plans to invest xx MUSD between 2008-2010 in its new machinery for its tissue plant in Uruguay



- Stora Enso is investing **1.25 BUSD** to establish production in the center of the country in Durazno
- Yet they are currently focusing mainly in consolidating their forestry project

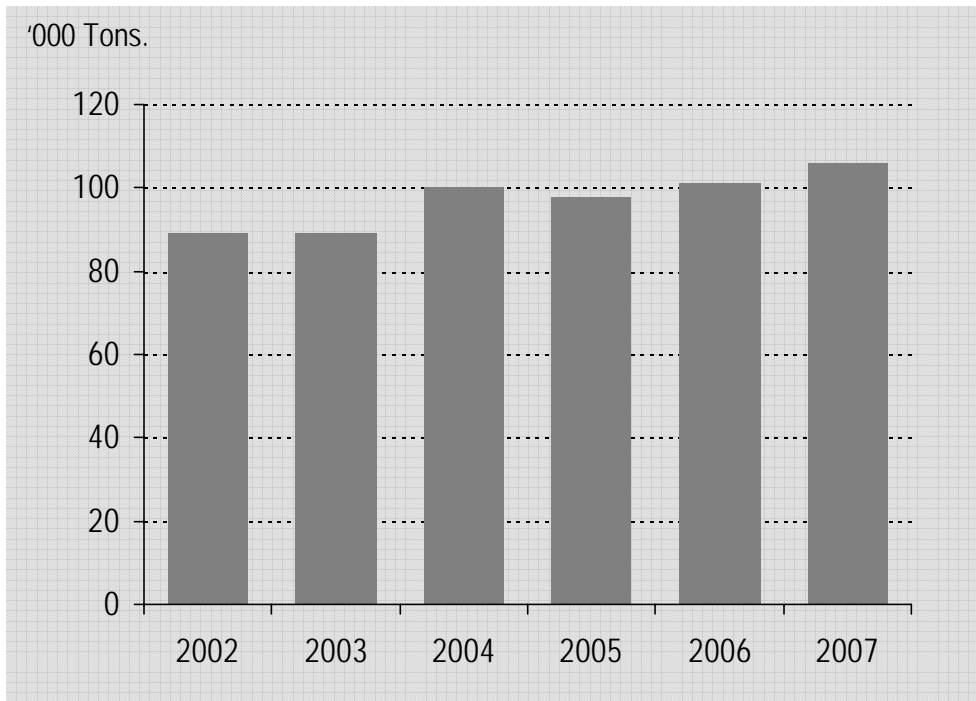
GOU announced companies from Canada, US and Japan are also considering pulp projects in the country



PAPER INDUSTRY EXPECTS TO BENEFIT FROM PULP INVESTMENTS

- Paper production up to now showing stagnated trends

Paper production



- There are four main companies for paper production: IPUSA (CMPC), CICSSA, PAMER and FNP.
- Growth has been more stagnated in this area, due principally to a limited domestic demand, but also foreign sales have shown a negative performance.
- Almost 50% of paper production is exported. Total exports reached 50 MUSD in 2007, a 9% less than in 2006.
- Uruguay has advantages in terms of feedstock availability and transport costs.

Uruguay presents a proper potential to develop furthermore the paper industry

POTENTIAL BUSINESS OPPORTUNITIES FOR SWEDISH COMPANIES

- Forestry and P&P becoming key sectors with many business opportunities

Industry:

Forestry

- Investments in new forestry projects taking advantage of the national promotion plan for the forest sector, which includes fiscal and tax benefits.

Forestry
Equipment

- Increased demand for equipment and machinery for all stages of forestry production. Need for higher quality production equipment, due to increase in lumber-oriented forestry.

Equipment for
Sawmills

- In longer perspective, increasing amount of sawmills will be in need of equipment and machinery for production.

Pulp and Paper
Equipment

- New mills will require new investments in machinery and equipment.

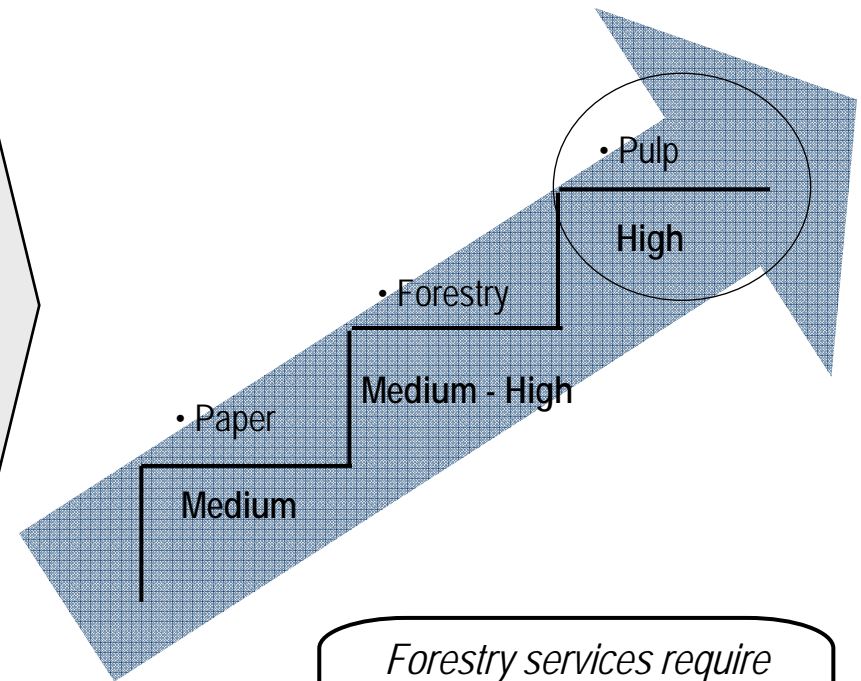
Pulp and Paper
Services

- Emerging industry in Uruguay. Demand for consulting and advisory services both in private and public sector.

Total
evaluation:

Increasing amount of possibilities

Business opportunities:



Forestry services require machinery which is being imported.

Ing. Oscar Costa, Director, AgroGestion

URUGUAY PROVIDES CONSIDERABLE BUSINESS OPPORTUNITIES

- A small but fast growing economy open to foreign investments.
- A transparent government and an economy with clear rules. A member of MERCOSUR - an springboard to a larger market
- New sectors are developing fast and require equipment & technology, such as forestry, wood, pulp & paper and telecommunications
- High growth of imports over the past years, particularly of inputs for production.

... which has contributed to...

...the fact that more than **10** Swedish companies are registered in Uruguay and many more are there as sub suppliers or via distributors.

STC in Buenos Aires is the natural partner for all Swedish companies who want to establish or develop their business in Uruguay

USEFUL CONTACTS

INE

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www.ine.gub.ar

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(Forestry Secretary)

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www.mgap.gub.uy/Forestal/DGF.htm

Cámara Mercantil de Productos del País

(National Products Chamber of Commerce)

Tel: +59 924 0644

www.camaramercantil.com.uy

Banco Central de Uruguay

(Uruguay's Central Bank)

Tel: +59 82 1967

www.bcu.gub.uy

Cámara de Industrias del Uruguay

(Chamber of Industrial Companies)

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www.ciu.com.uy

Ministerio de Industria

(Industry Ministry)

www.miem.gub.uy

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