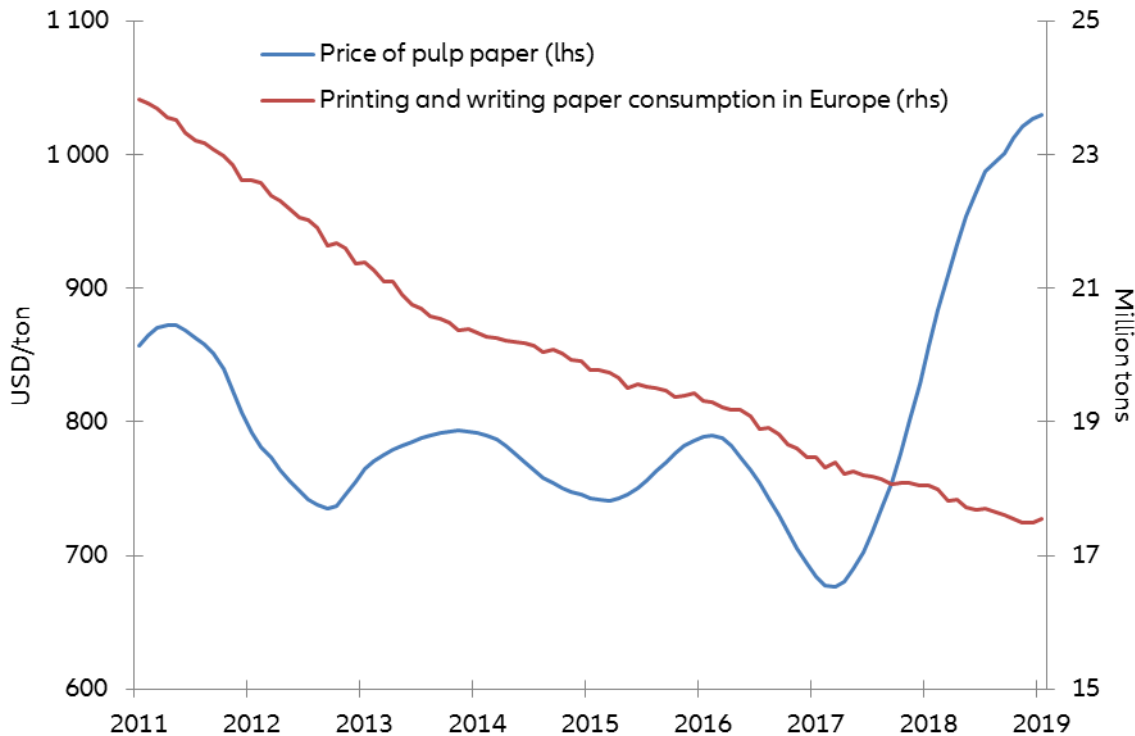


EUROPEAN PAPER MAKERS FACE HIGHER INPUT PRICES AND LOWER DEMAND

Printing and writing papermakers will be closely monitored in the months ahead



Sources: Bloomberg, Euler Hermes estimations

Paper for printing and writing accounts for 25% of all manufactured paper worldwide.

The upstream paper industry has cashed in on the surge in the global price of pulp (up 60% since the beginning of last year) thanks to Asian demand.

However, demand in Europe for the downstream sub-segment of printing and writing paper has been dwindling (down -4% per annum since 2011) as the world becomes increasingly digital.

Printing and writing papermakers must now deal with higher raw material costs and a declining demand for their products in Europe. As a result, we expect them to undergo falling profit margins over the next year.