

A review of the European particleboard market

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France



Format of today's presentation

- ✦ Who is Weyerhaeuser ?
- ✦ Wood based Panels (General)
- ✦ Particleboard
 - Overview
 - Demand / Capacity Analysis for Panels
 - Evolution of Capacity
 - Country Review
 - Demand Side
 - Costs and Prices and Exchange Rates?
- ✦ The Future ?

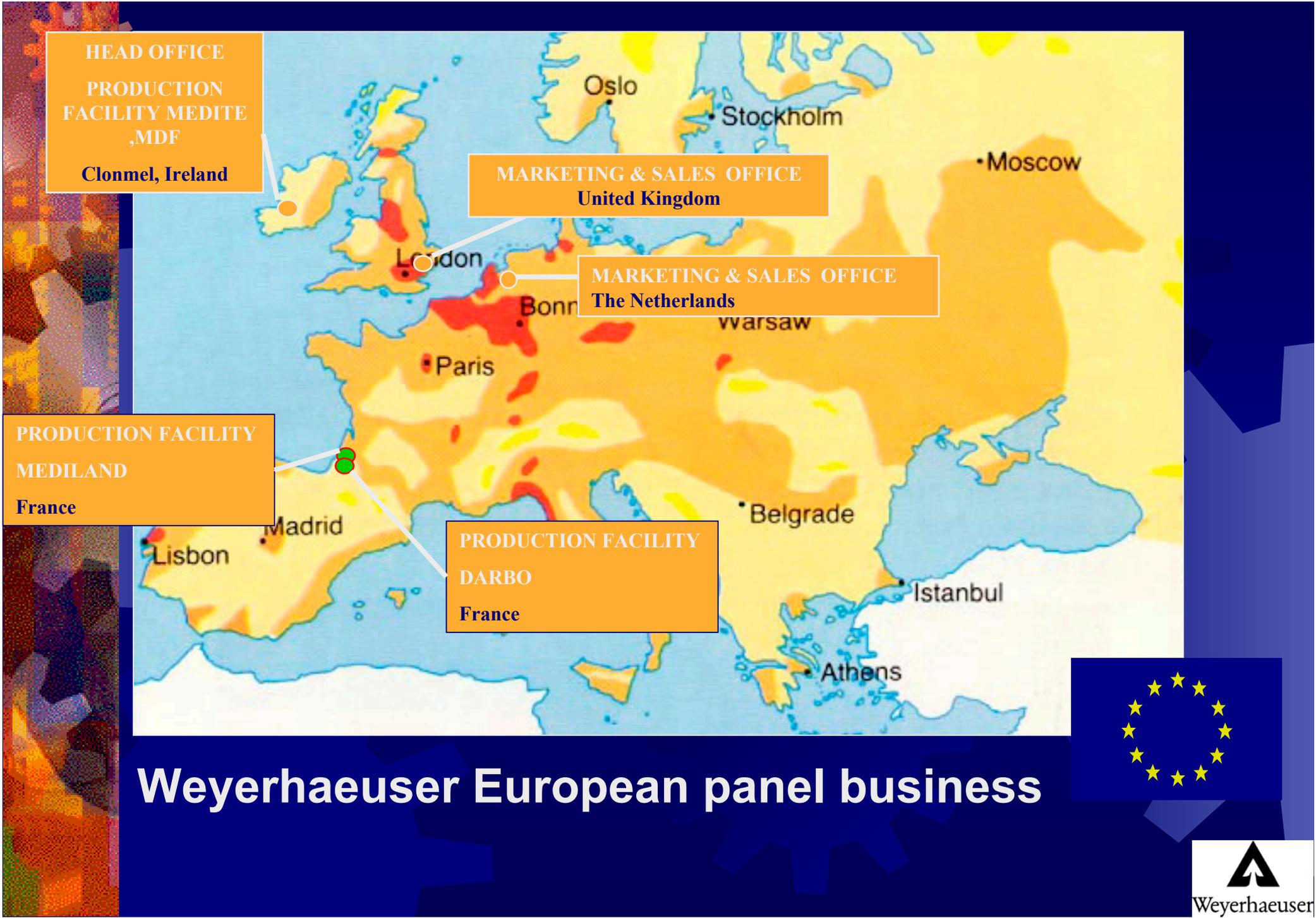
Weyerhaeuser Company

- ❖ 6 Particleboard facilities = 1,623,090 m³
- ❖ 5 MDF facilities = 1,180,090 m³
- ❖ 10 OSB facilities = 3,583,865 m³
- ❖ 16 Plywood facilities = 2,538,953 m³

Total production = 8.9 million m³

Weyerhaeuser European operations comprise of:

- ✦ **Medite MDF** a 400,000 m³ MDF plant in Ireland.
- ✦ **Mediland MDF**, a 170,000 m³ MDF plant, south west France.
- ✦ **Darbo particleboard**, a 500,000 m³ plant, south west France



HEAD OFFICE
PRODUCTION FACILITY MEDITE ,MDF
Clonmel, Ireland

MARKETING & SALES OFFICE
United Kingdom

MARKETING & SALES OFFICE
The Netherlands

PRODUCTION FACILITY
MEDILAND
France

PRODUCTION FACILITY
DARBO
France

Weyerhaeuser European panel business



OUR PRODUCTS IN EUROPE

The 3 core elements of our business are



Medite MDF

MEDiLAND

Mediland MDF

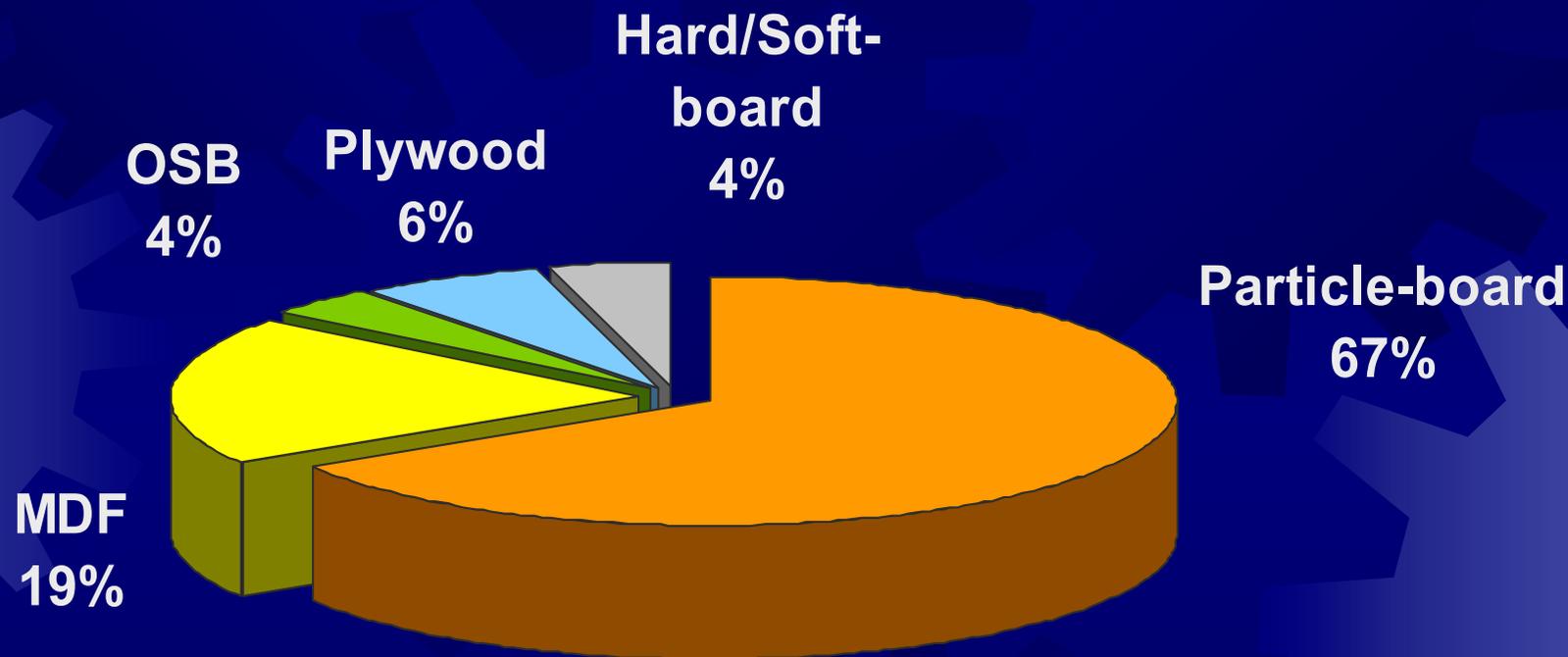


Darbo Particleboard



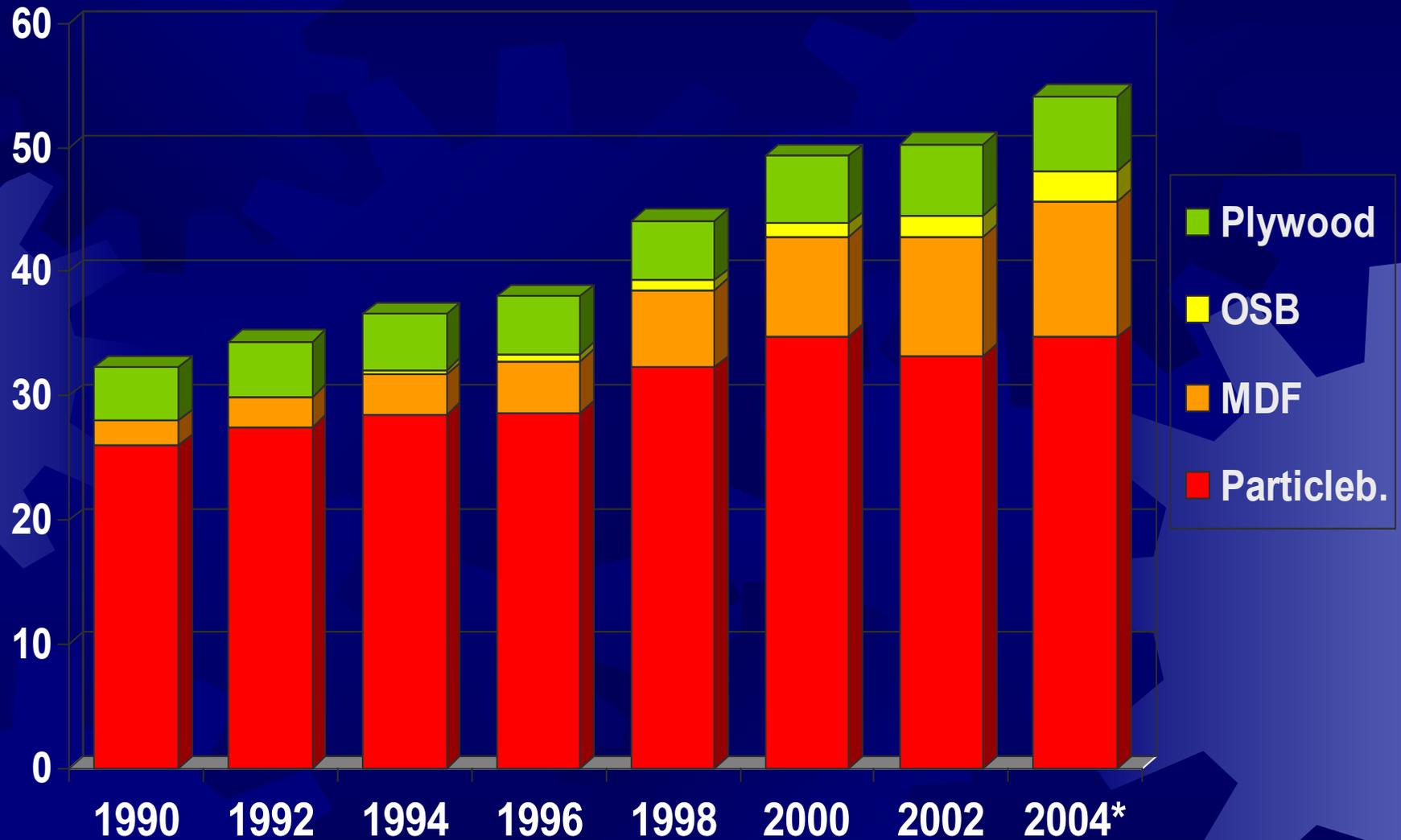
Weyerhaeuser

Wood-based Panels in Europe 2002



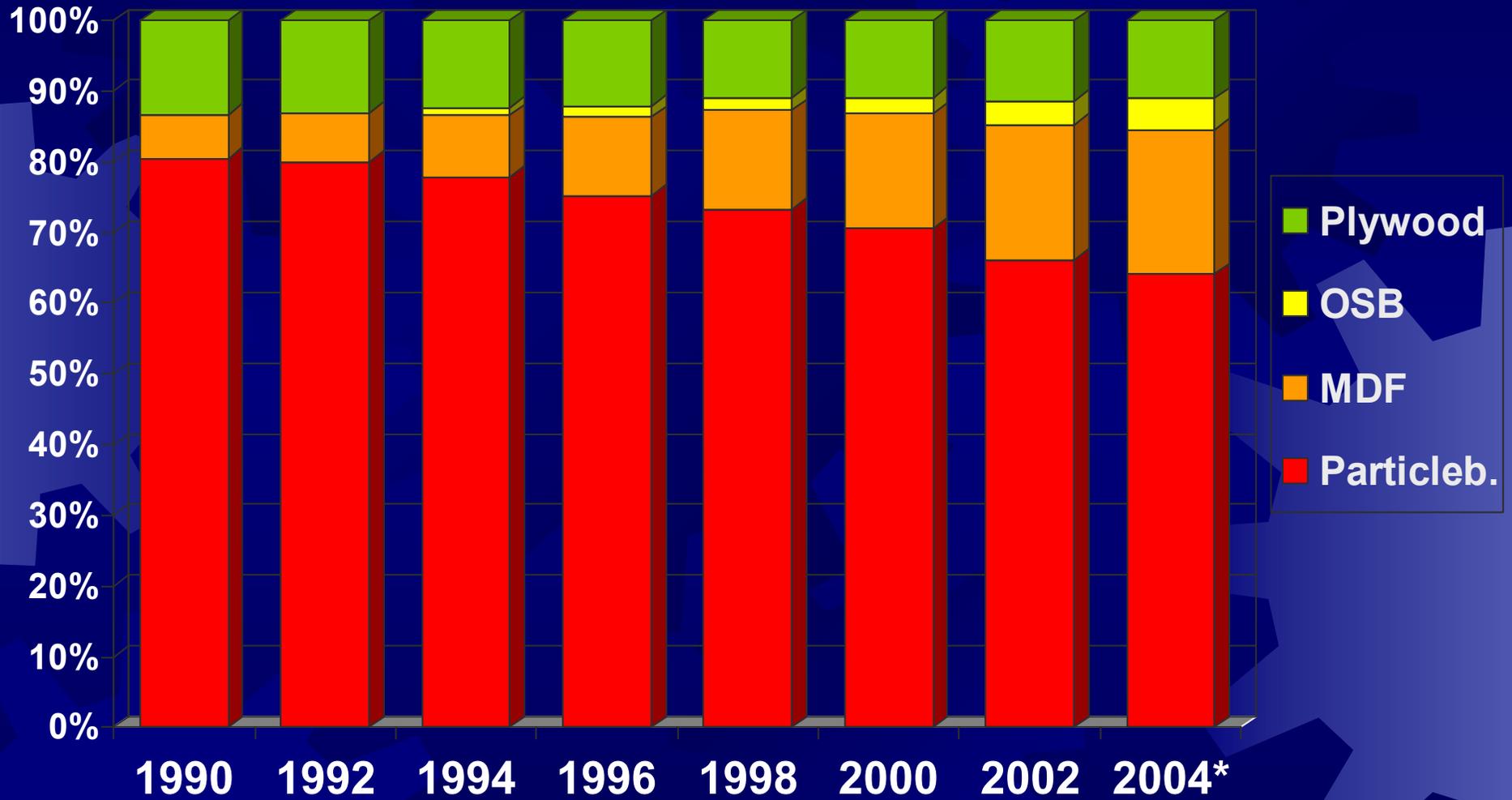
total 54.2 million m³ (+2%)

Evolution Wood-Based Panels Consumption Europe



Source: E.P.F.

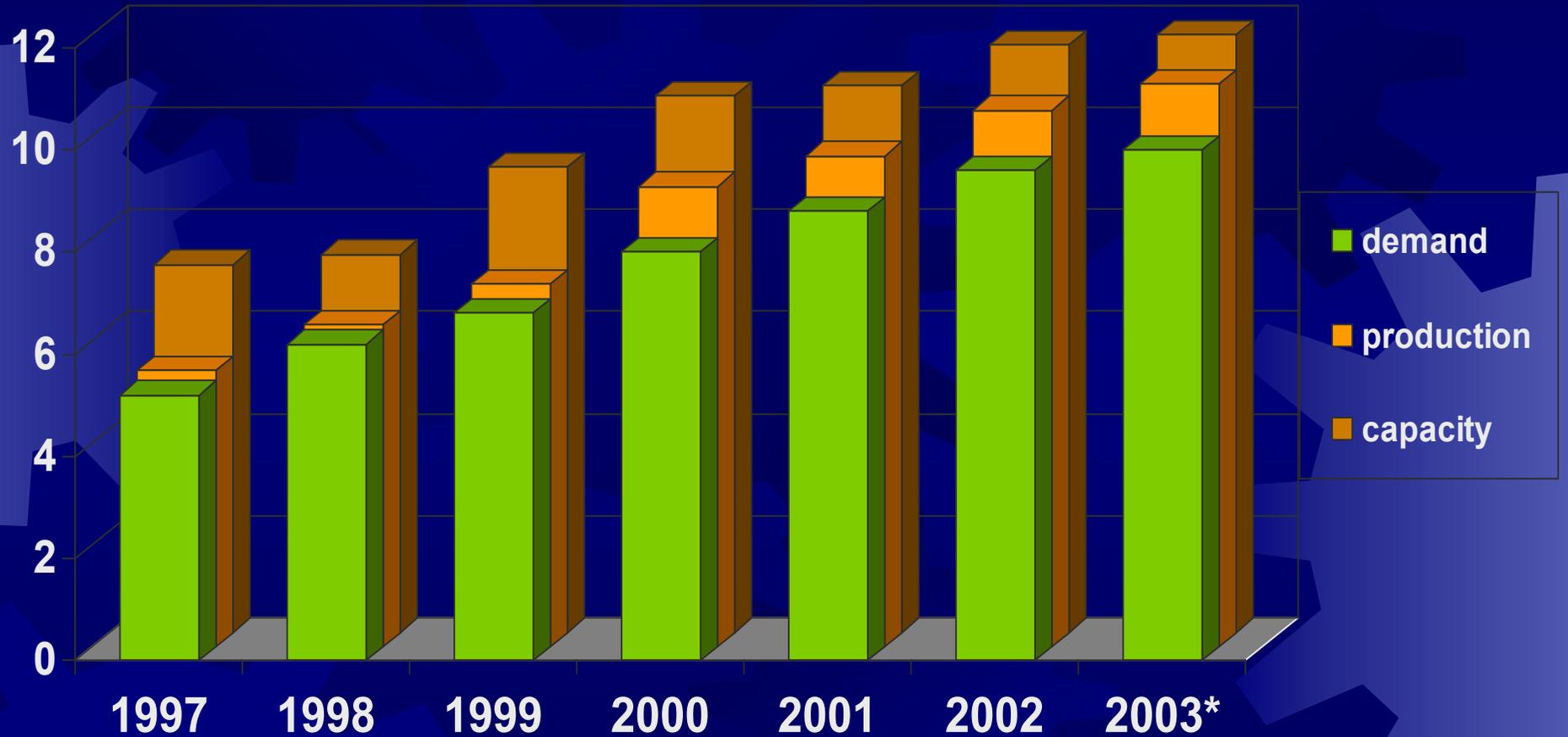
Evolution Wood-Based Panels Consumption Europe



Source: E.P.F.

Demand/Capacity MDF in Europe

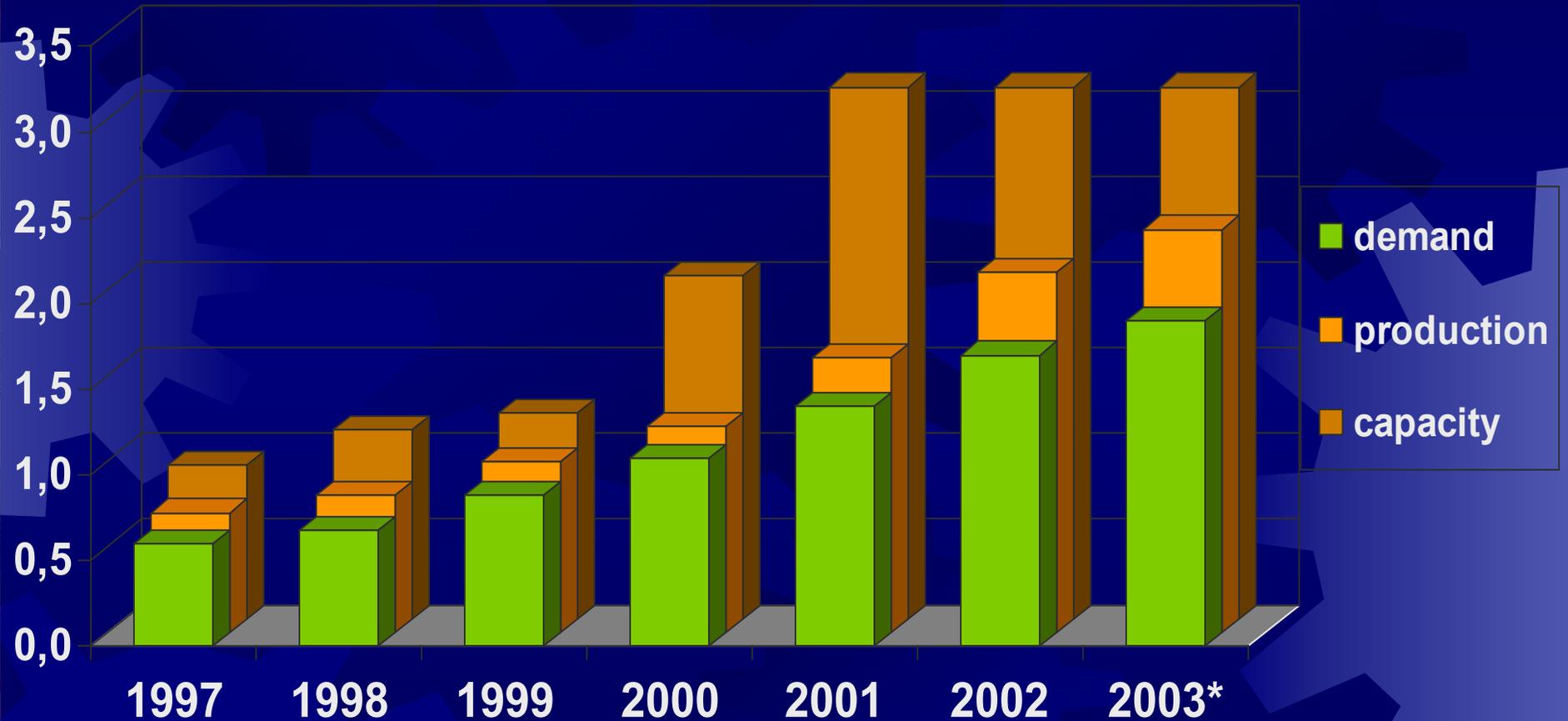
(million m³)



Source: E.P.F.

Demand/Capacity OSB in Europe

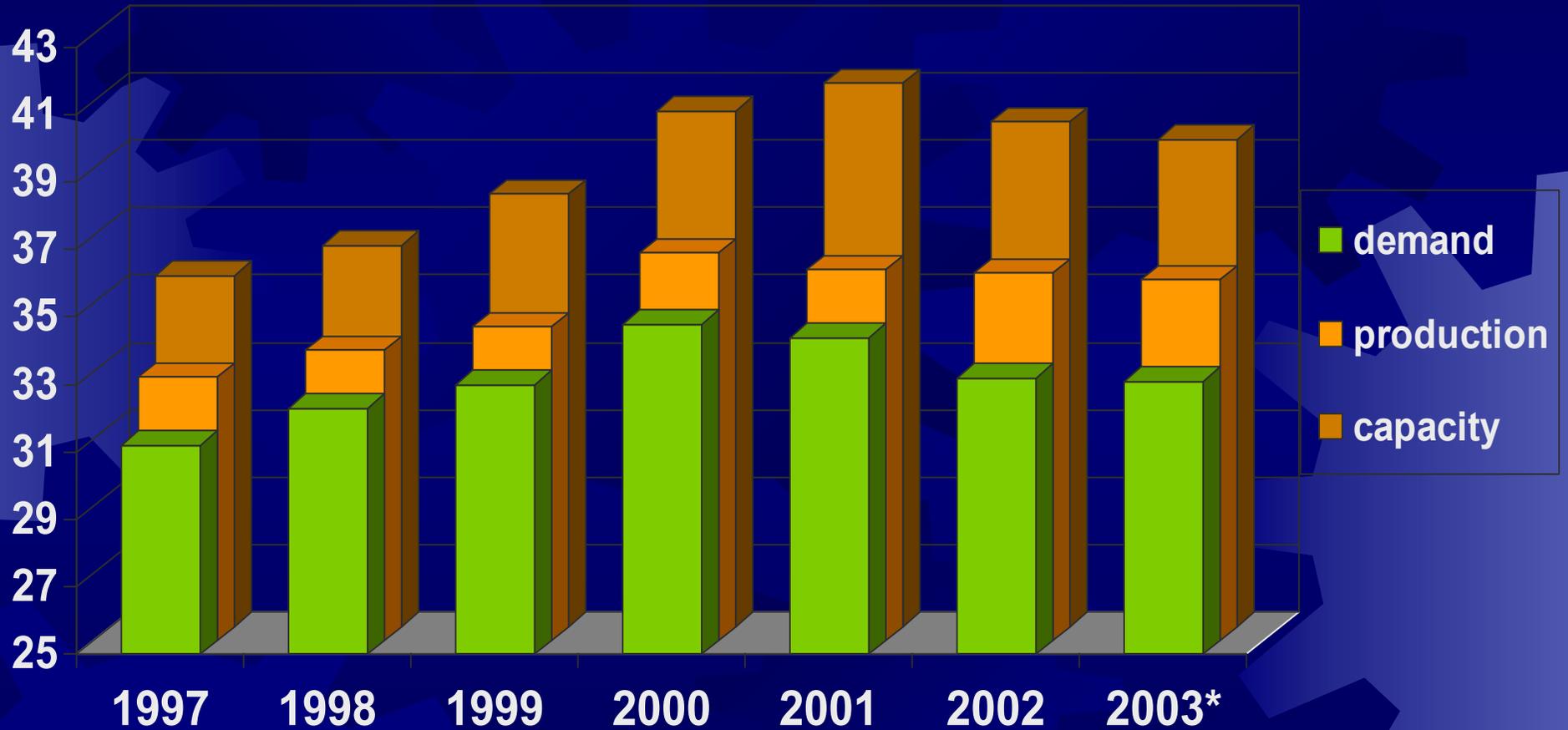
(million m³)



Source: E.P.F.

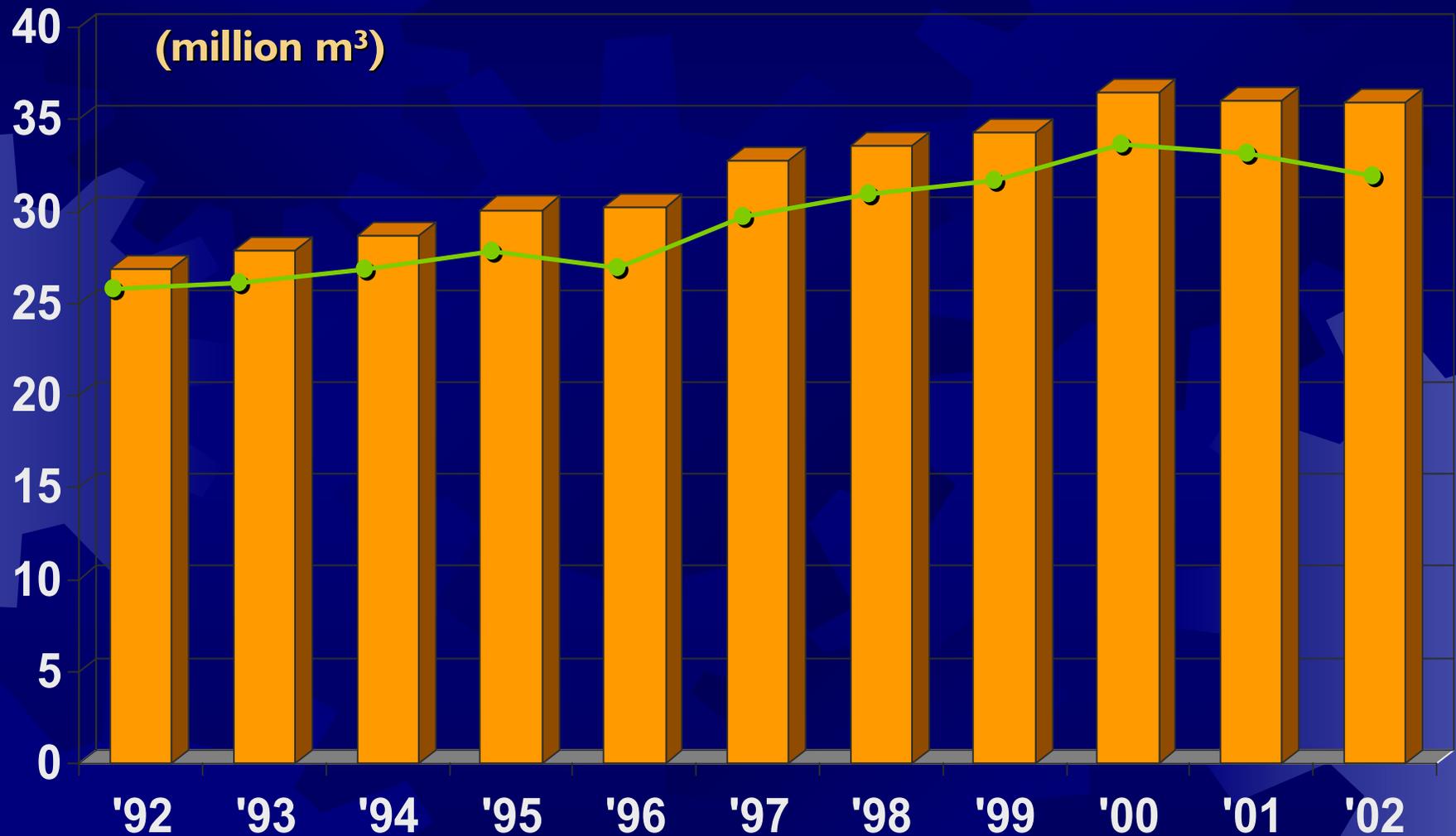
Demand/Capacity PB in Europe

(million m³)



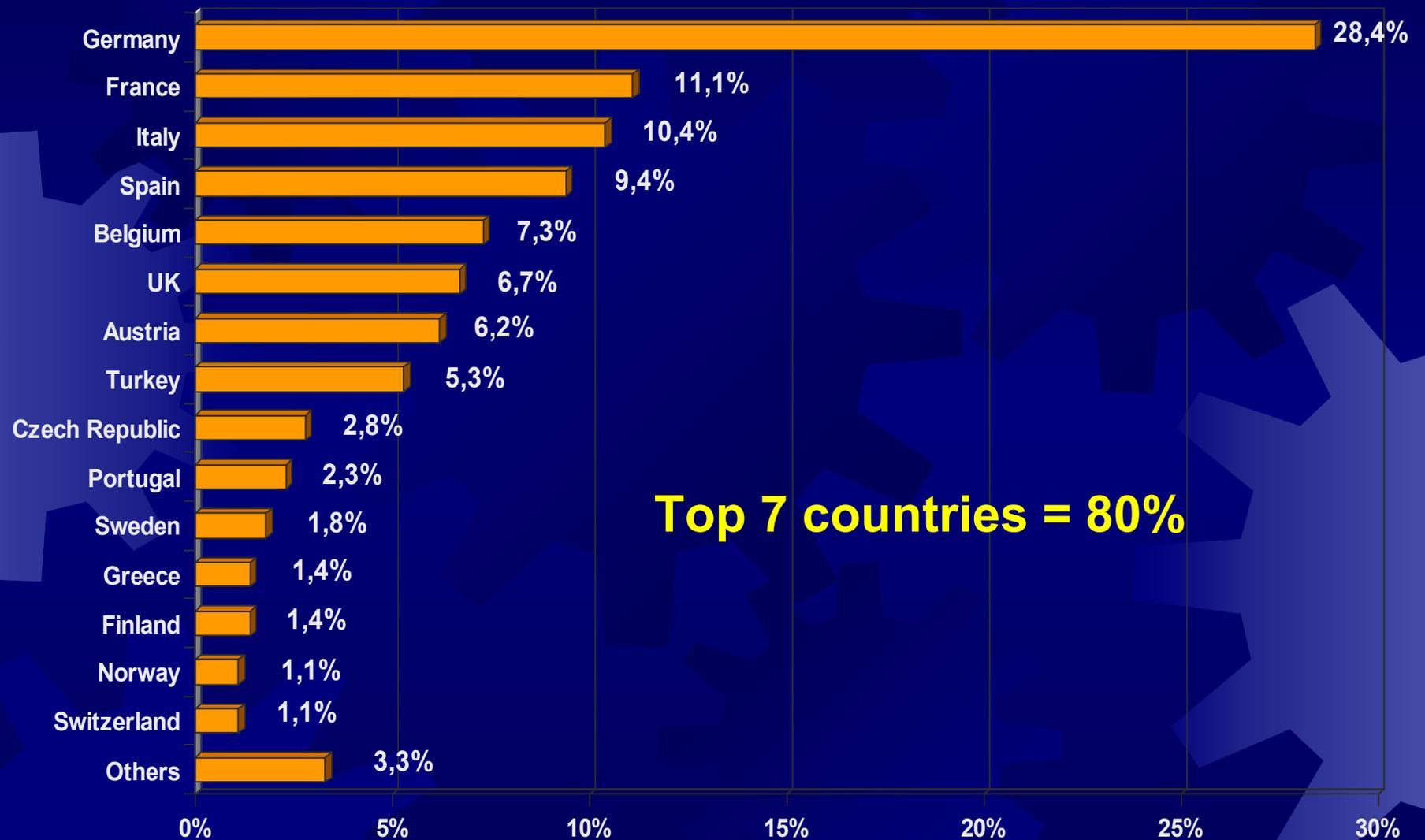
Source: E.P.F.

Particleboard Production in Europe



Source: E.P.F.

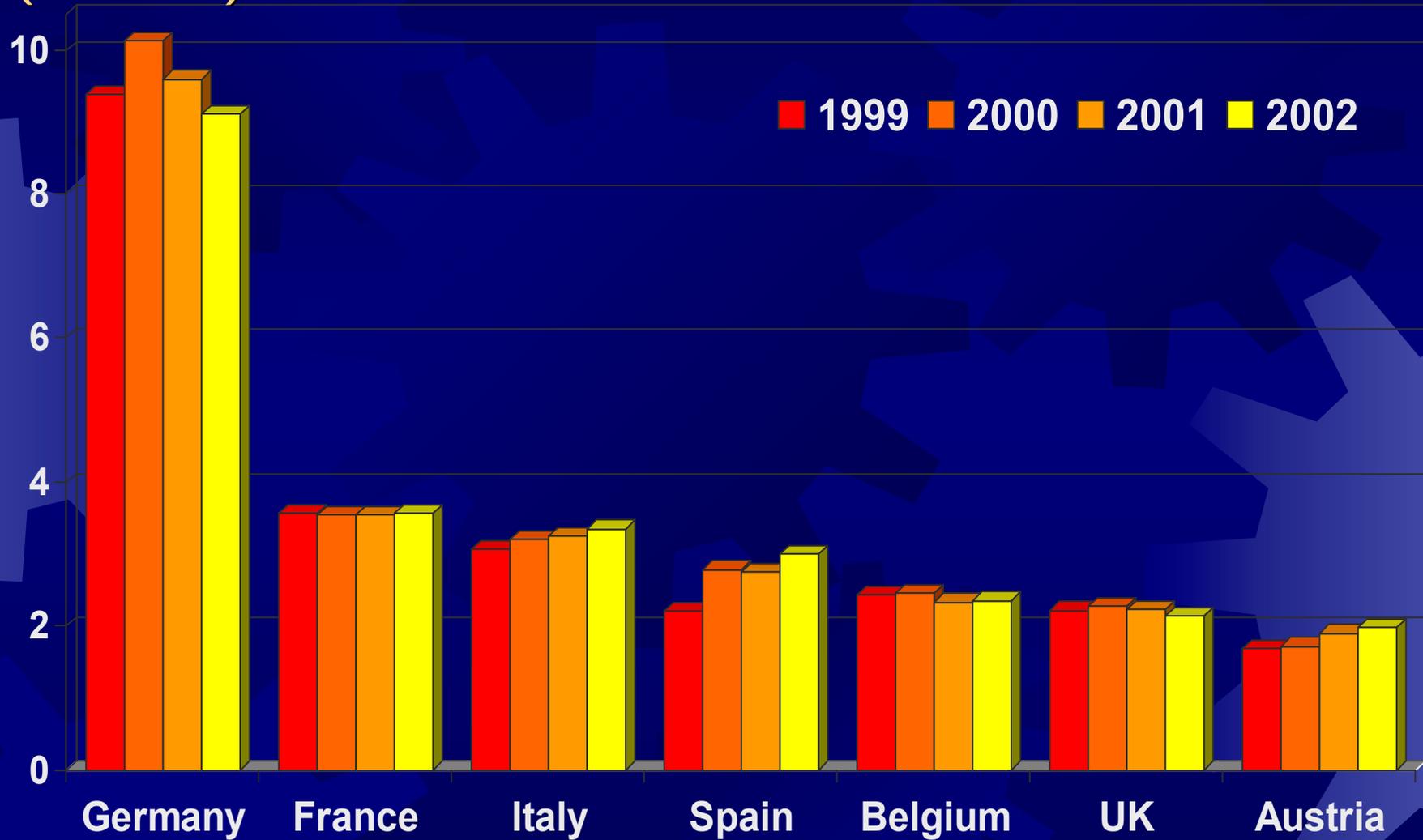
Production Breakdown 2002



Source: E.P.F.

Production Breakdown per Country

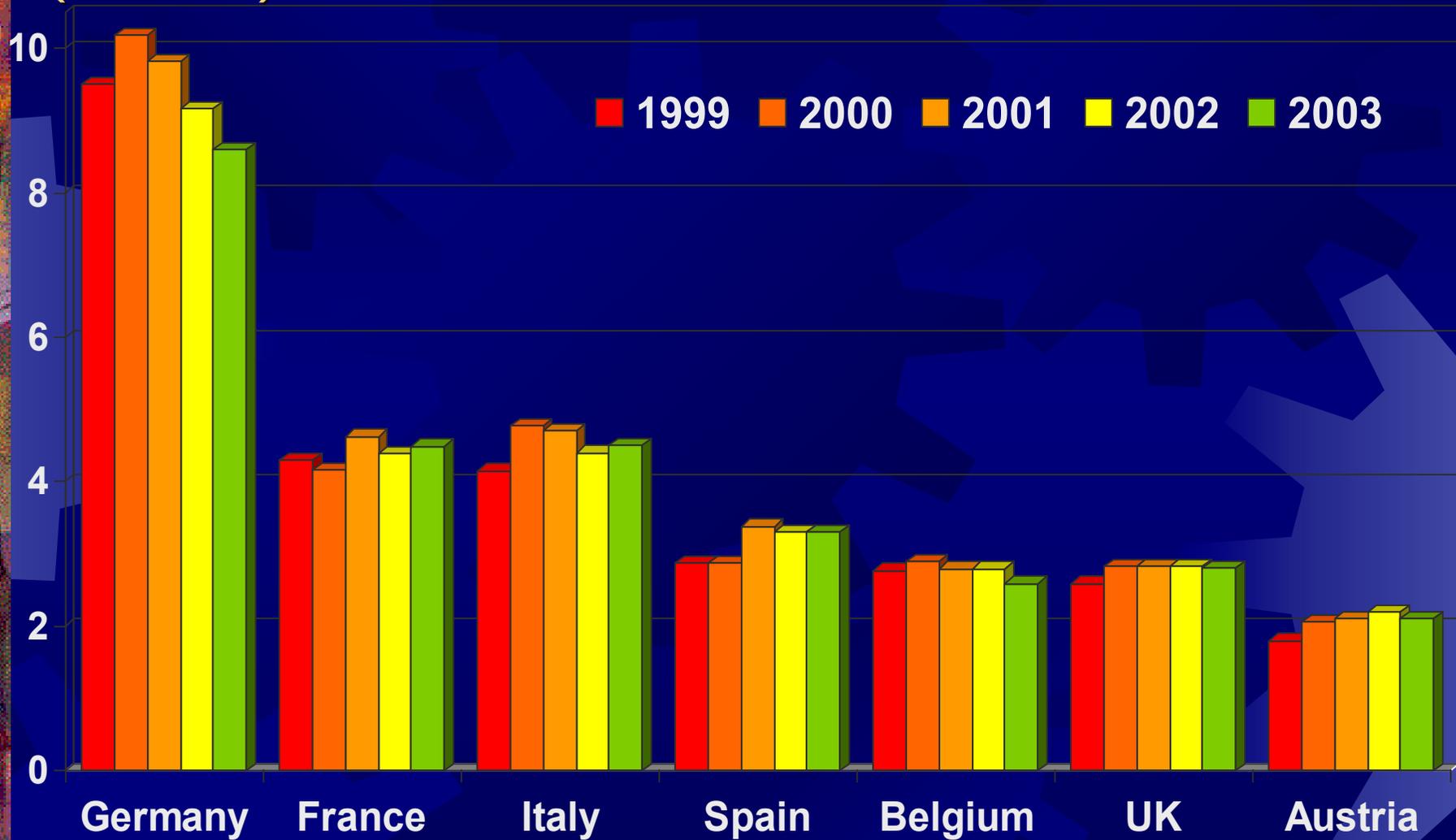
(million m³)



Source: E.P.F.

Particleboard Production Capacity

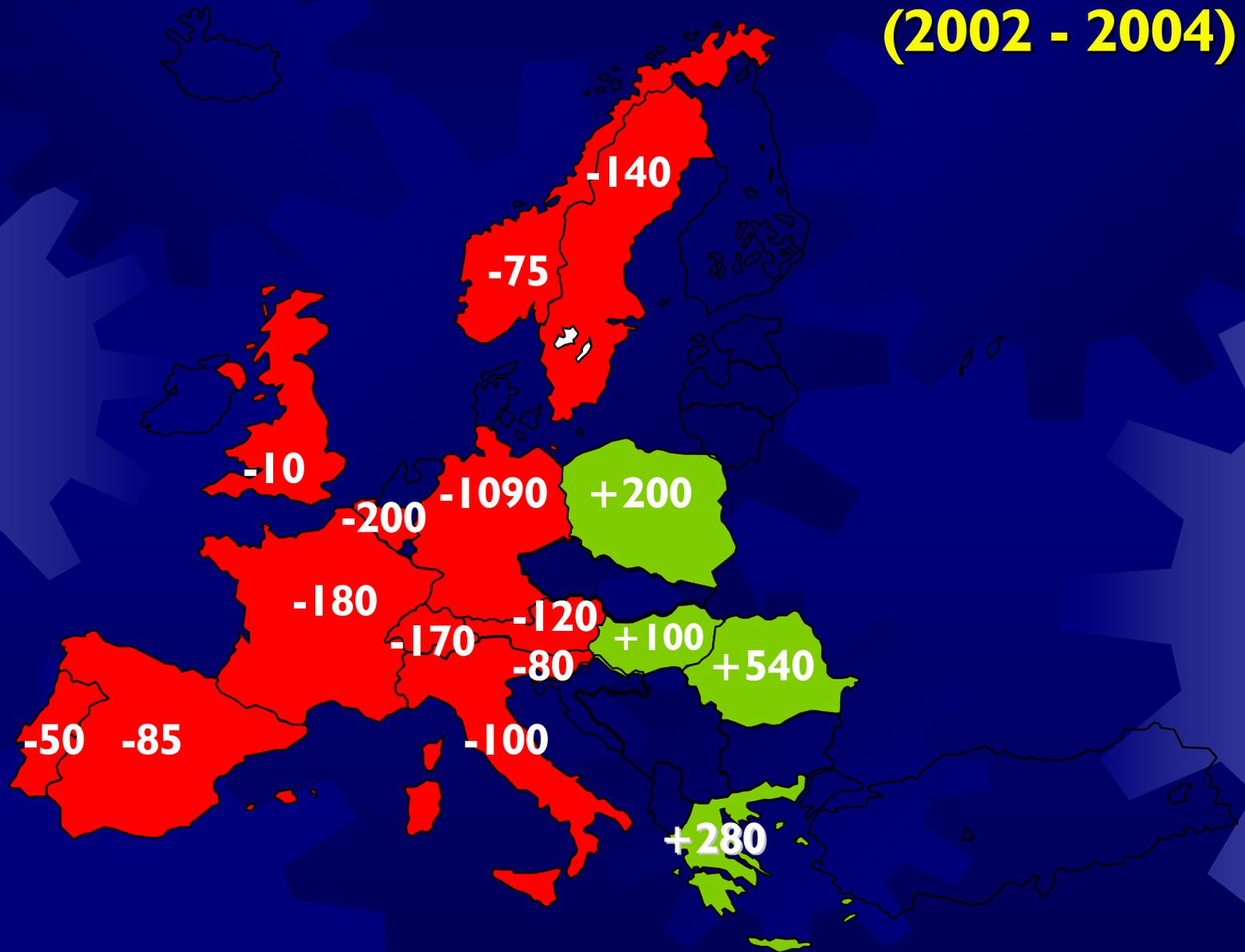
(million m³)



Source: E.P.F.

Evolution of Particleboard Production Capacity

(2002 - 2004)



Source: E.P.F.

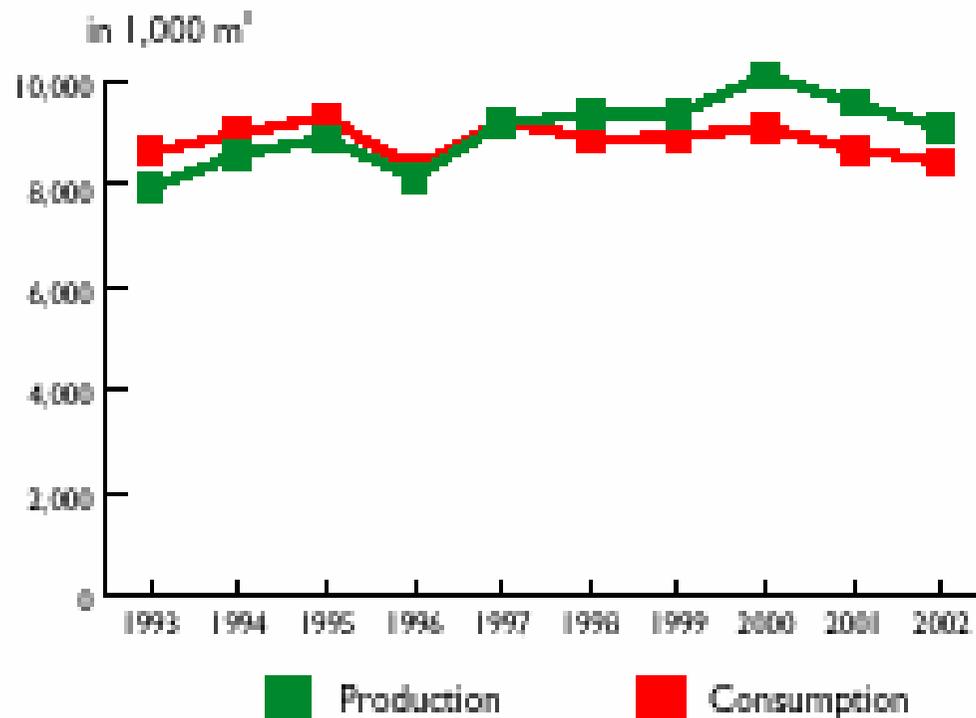
Germany 2002

Particleboard industry

Production: 9,104,000 m³

Consumption: 8,455,000 m³

Evolution of particleboard production and consumption



Main Points

- Poor economic performance
- Construction sector decline
- Production decline
- Significant export increases
- (+9% at 25% of sales)
- Some plant closures
+ 1 new investment
- 2004 looking marginally better ?

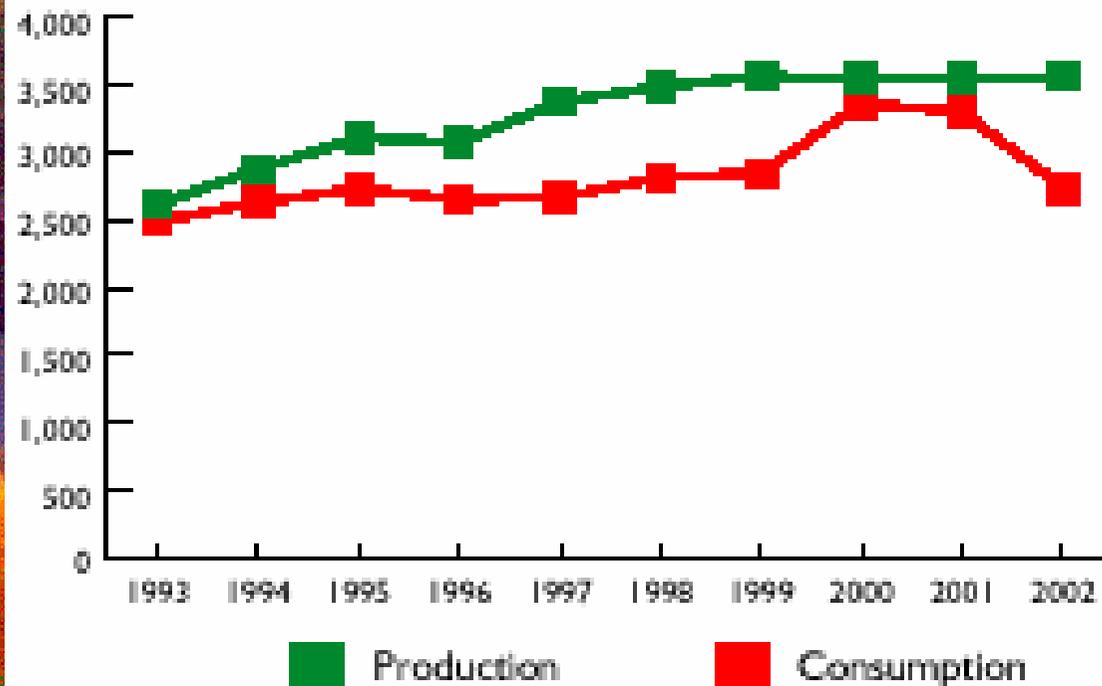
France 2002

Particleboard industry

Production: 3,557,000 m³

Consumption: 2,733,000 m³

*Evolution of particleboard production and consumption
in 1,000 m³*



Main Points

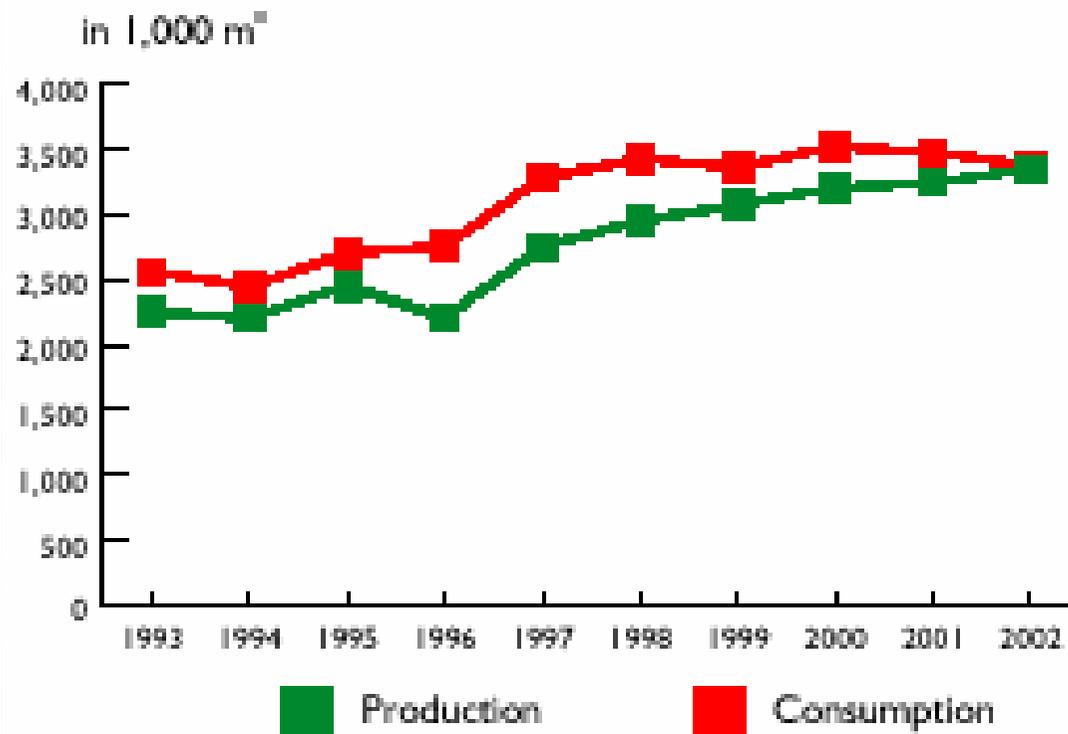
- Low GDP growth
- Large decline in consumption
- Exports increase by 44%
- Housing industry crises and decline in furniture demand
- Some restructuring / closures
- 2004 looking better ?

Italy 2002

Particleboard industry

Production: 3,350,000 m³
Consumption: 3,372,000 m³

Evolution of particleboard production and consumption



Main Points

- Poor economic performance – well below EU average.
- 2004 recovery anticipated.
- Production record in 2002
- Domestic demand –3%
- Significant export increases (+33%)
- 1 plant closure
- Production to increase in 2003/04.

Source: E.P.F.

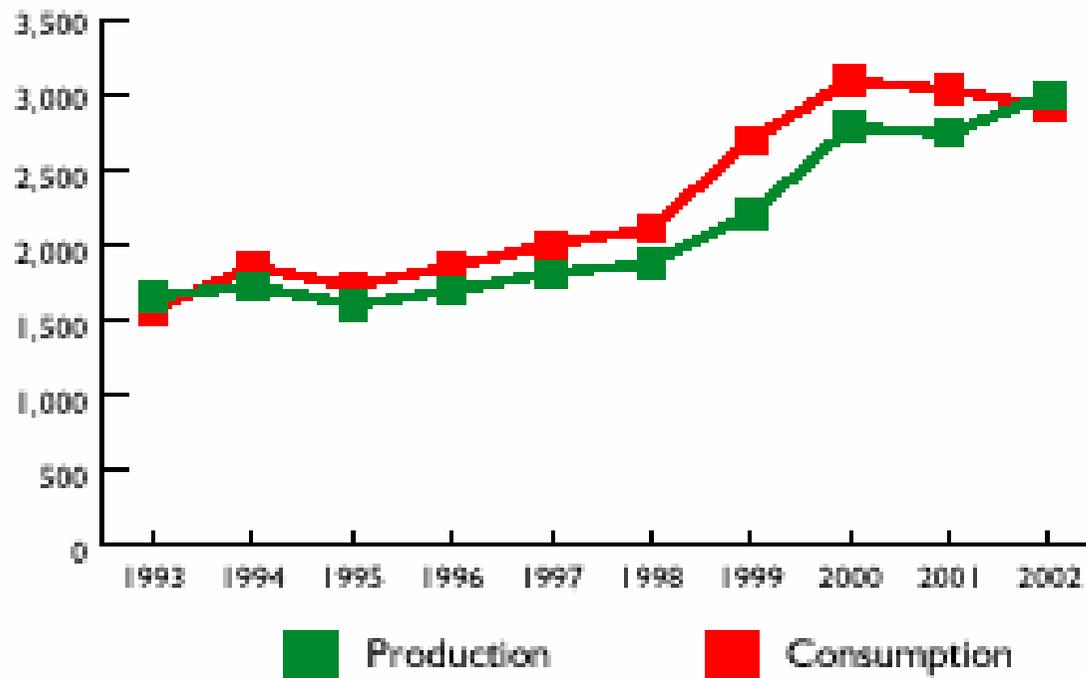
Spain 2002

Particleboard industry

Production: 3,003,000 m³
Consumption: 2,915,000 m³

Evolution of particleboard production and consumption

in 1,000 m³



Main Points

- Economic performance declining but 2004 will be better.
- 9% particleboard growth in 2002
- Consumption fall by 4%
- Significant export increases (+69% at 13% of sales)
- Some plant closures + 1 new investment
- US exchange rate is not helping exports of furniture.

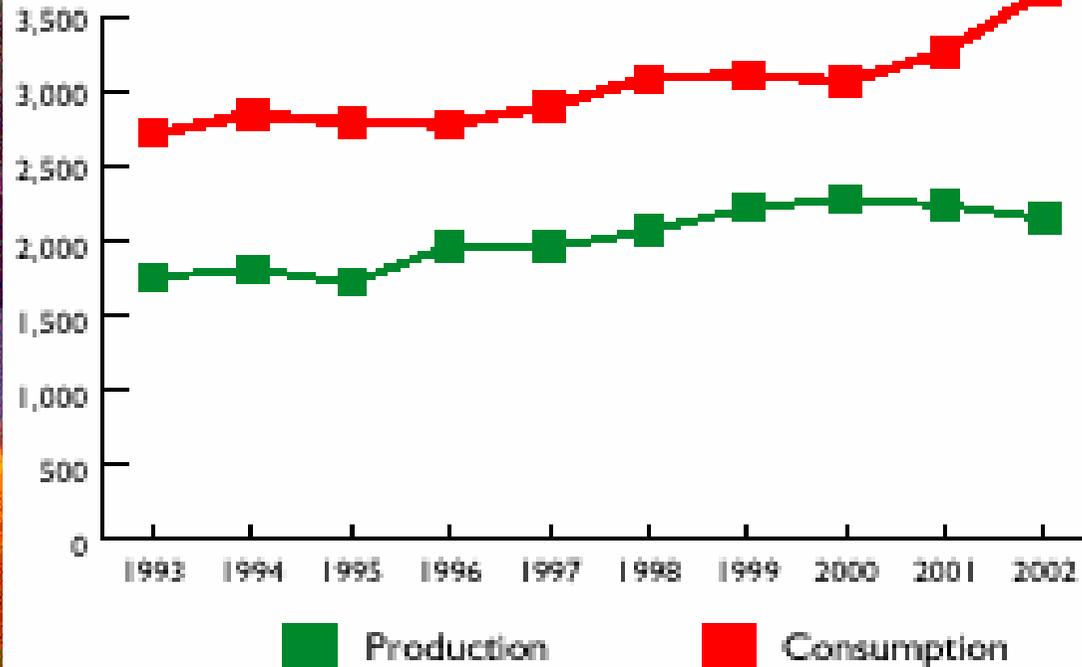
Source: E.P.F.

United Kingdom 2002

Particleboard industry

Production: 2,146,000 m³
Consumption: 3,668,000 m³

Evolution of particleboard production and consumption
in 1,000 m³



Main Points

- Improved economic conditions
- Particleboard capacity / consumption increases, production decline.
- GBP / Euro rate....
- Significant import increases
- (+44%)
- 1 plant closure
- Production to decline in 2004

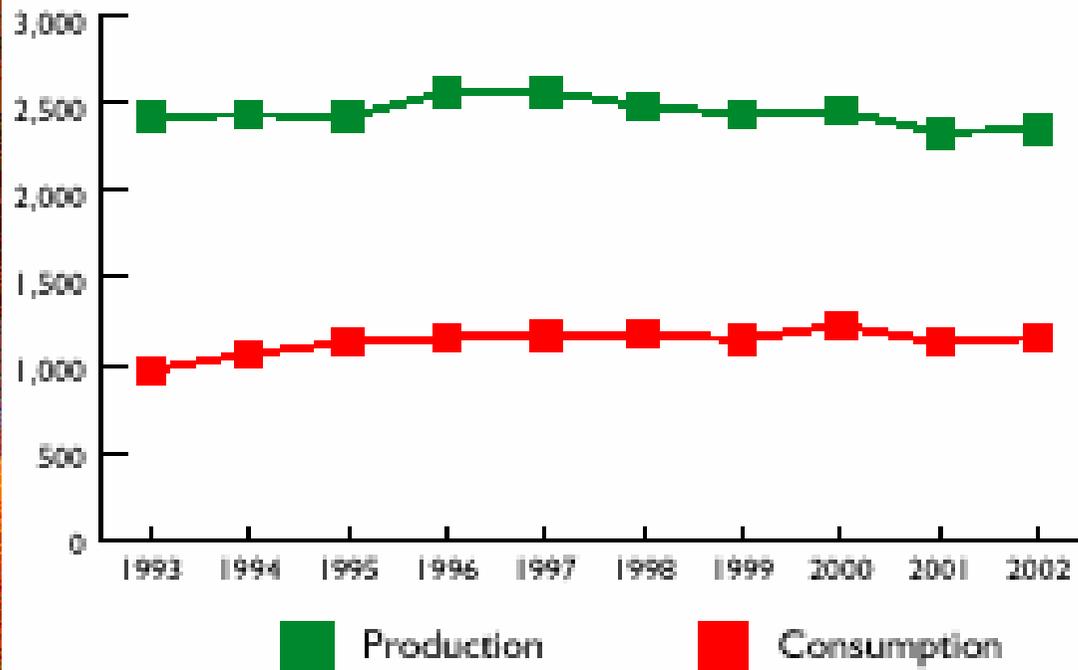
Belgium 2002

Particleboard industry

Production: 2,352,000 m³

Consumption: 1,159,000 m³

Evolution of particleboard production and consumption
in 1,000 m³



Main Points

- Modest economic performance
- Modest domestic demand increase despite furniture and construction market challenges.
- Exports at 63% of sales.
- Significant export increases (+9% at 25% of sales)
- 1 mill closure (environmental reasons)

Austria 2002

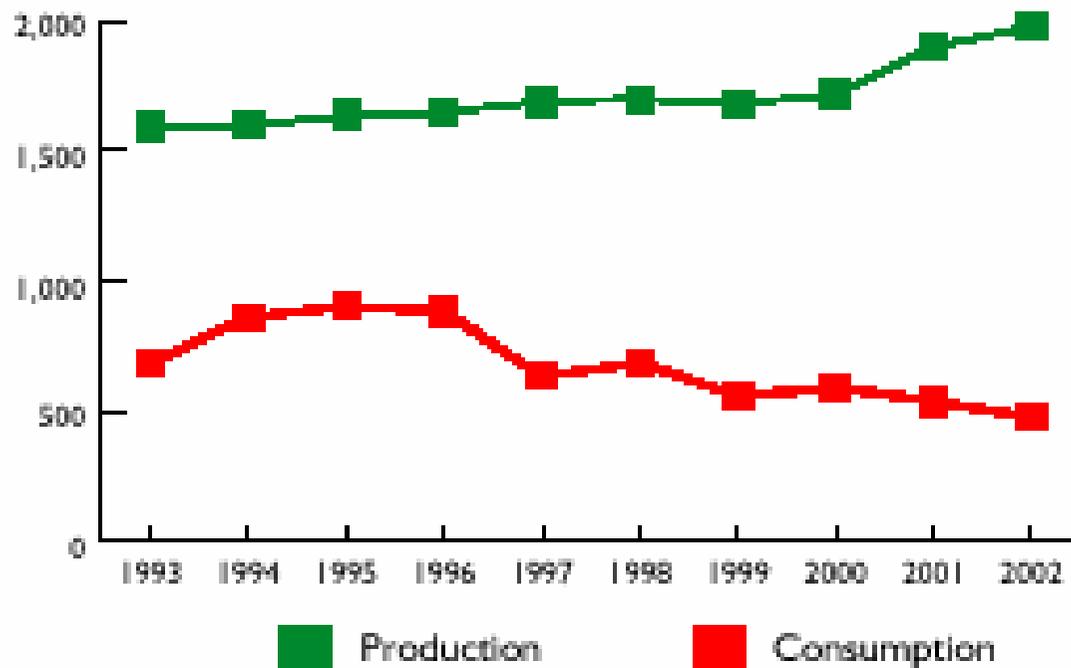
Particleboard industry

Production: 1,980,000 m³

Consumption: 479,000 m³

Evolution of particleboard production and consumption

in 1,000 m³



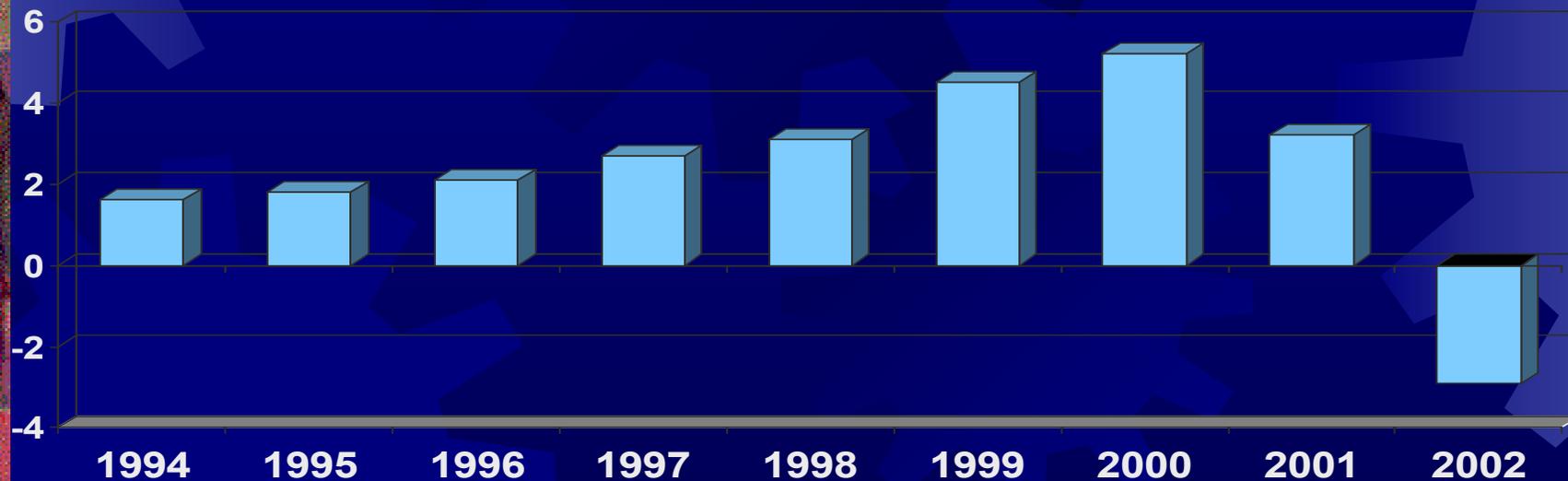
Main Points

- Poor economic performance
- Fall in domestic consumption by 14%
- Production increasing.
- Significant exports
• (+10% at 87% of sales)
- Some plant closures
+ 1 new investment
- 2004 looking better ?

Source: E.P.F.

Demand Side - Furniture

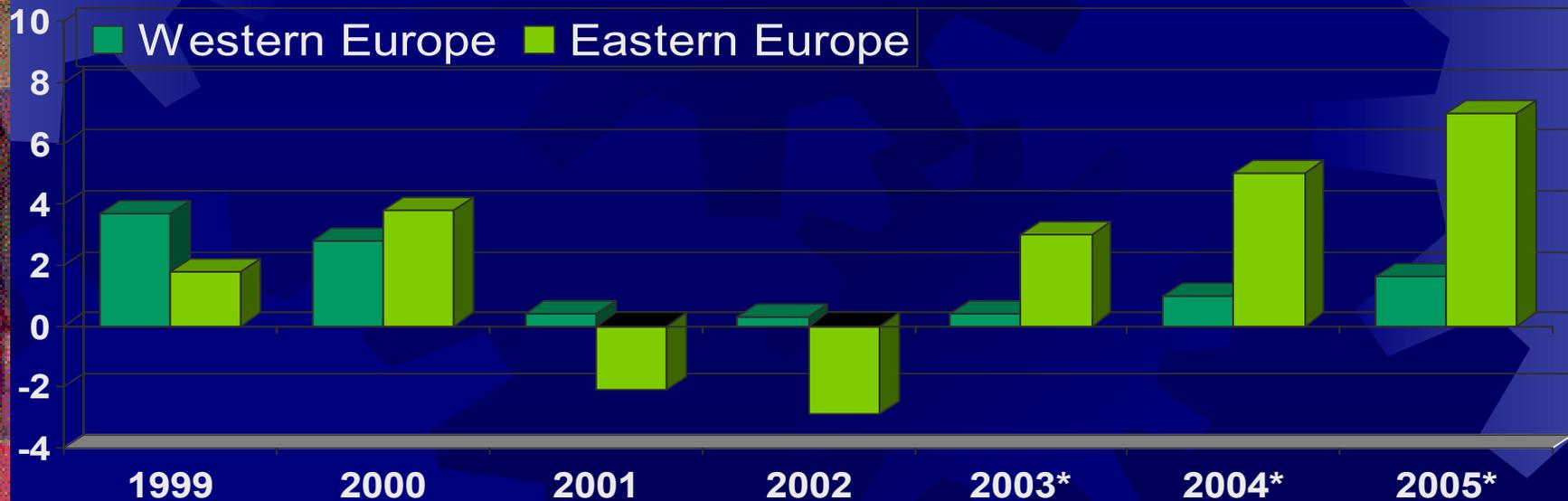
- Negative result in production growth: -3% during 2002
- Furniture and construction crisis in Germany
- Improvements only expected after 2003 following construction growth
- Increasing competition non-European countries



Source: E.P.F.

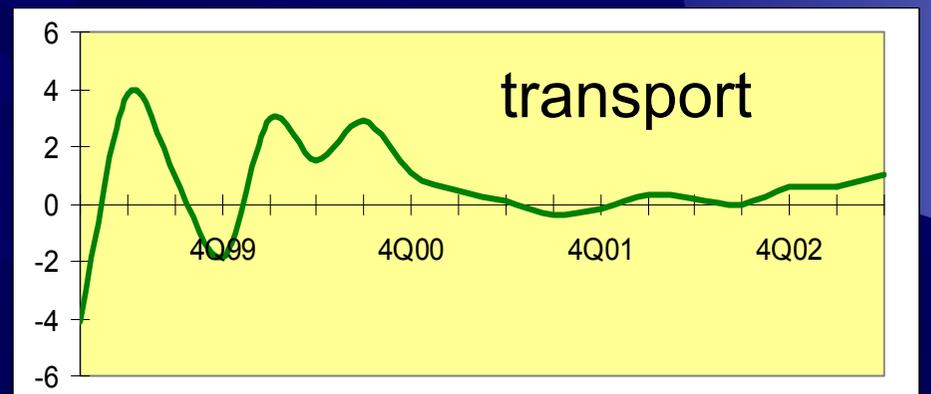
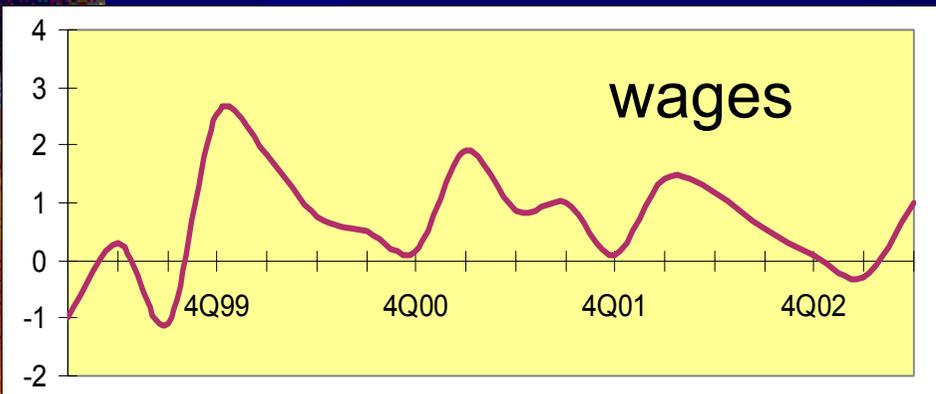
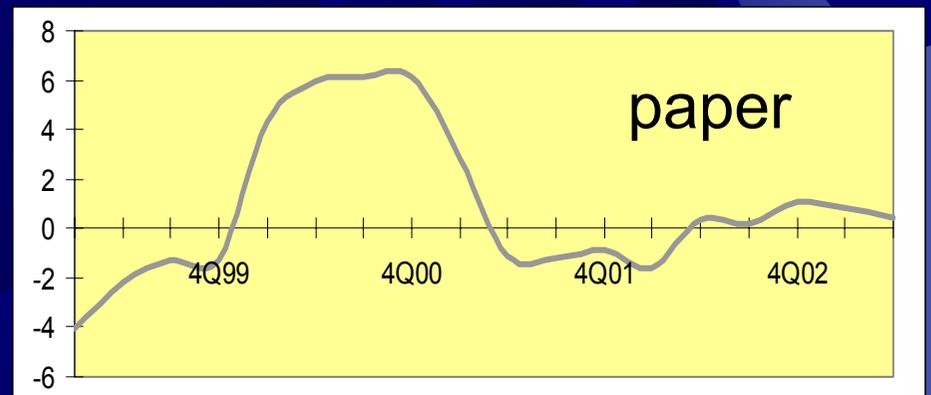
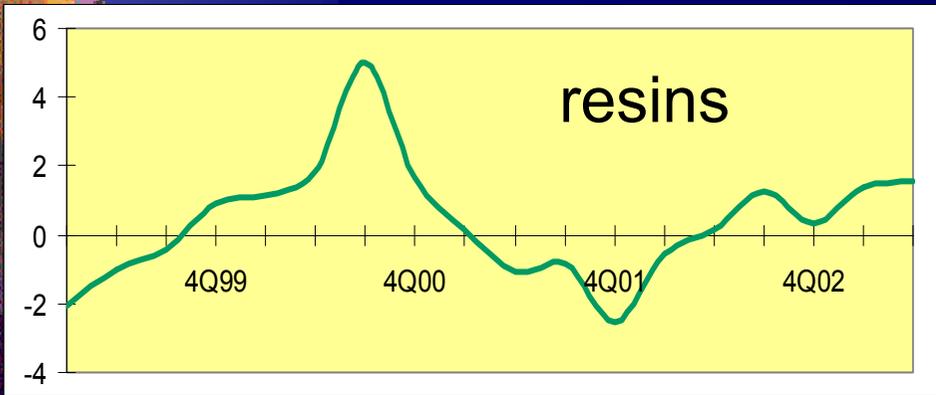
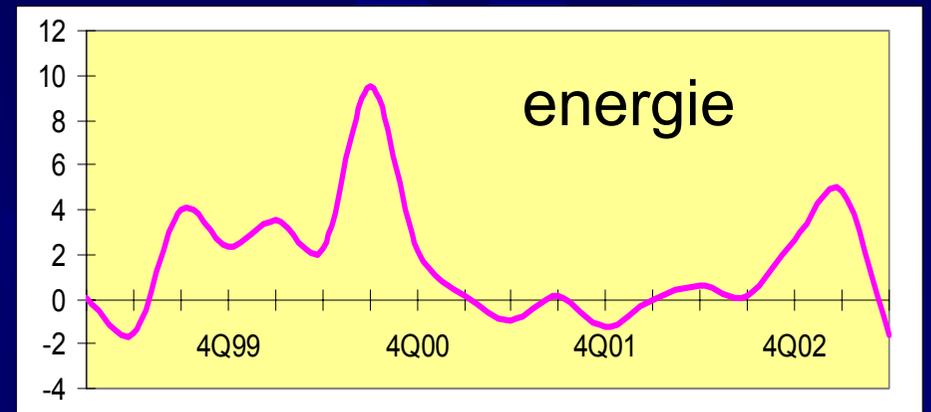
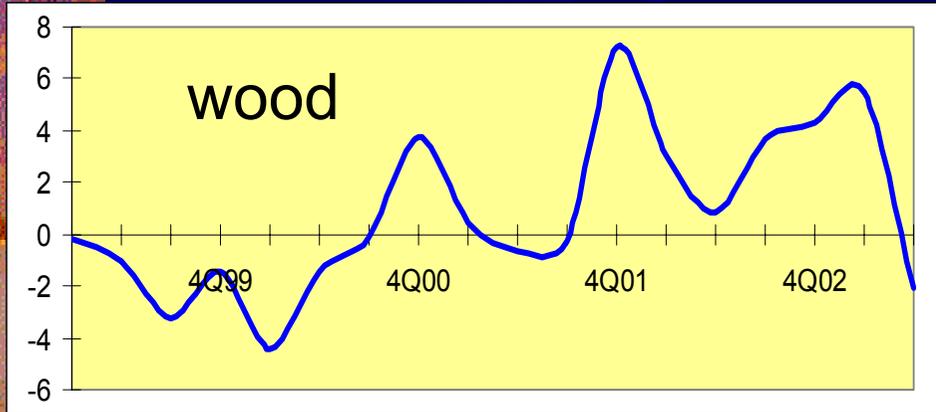
Demand Side - Construction

- Western Europe Stagnation phase will continue during 2003, only moderate recovery expected for 2004 and 2005
- Eastern Europe Recession (-3%) in 2002, but recovery in 2003 (+3%) accelerating in 2004 (+5%) & 2005 (+7%)

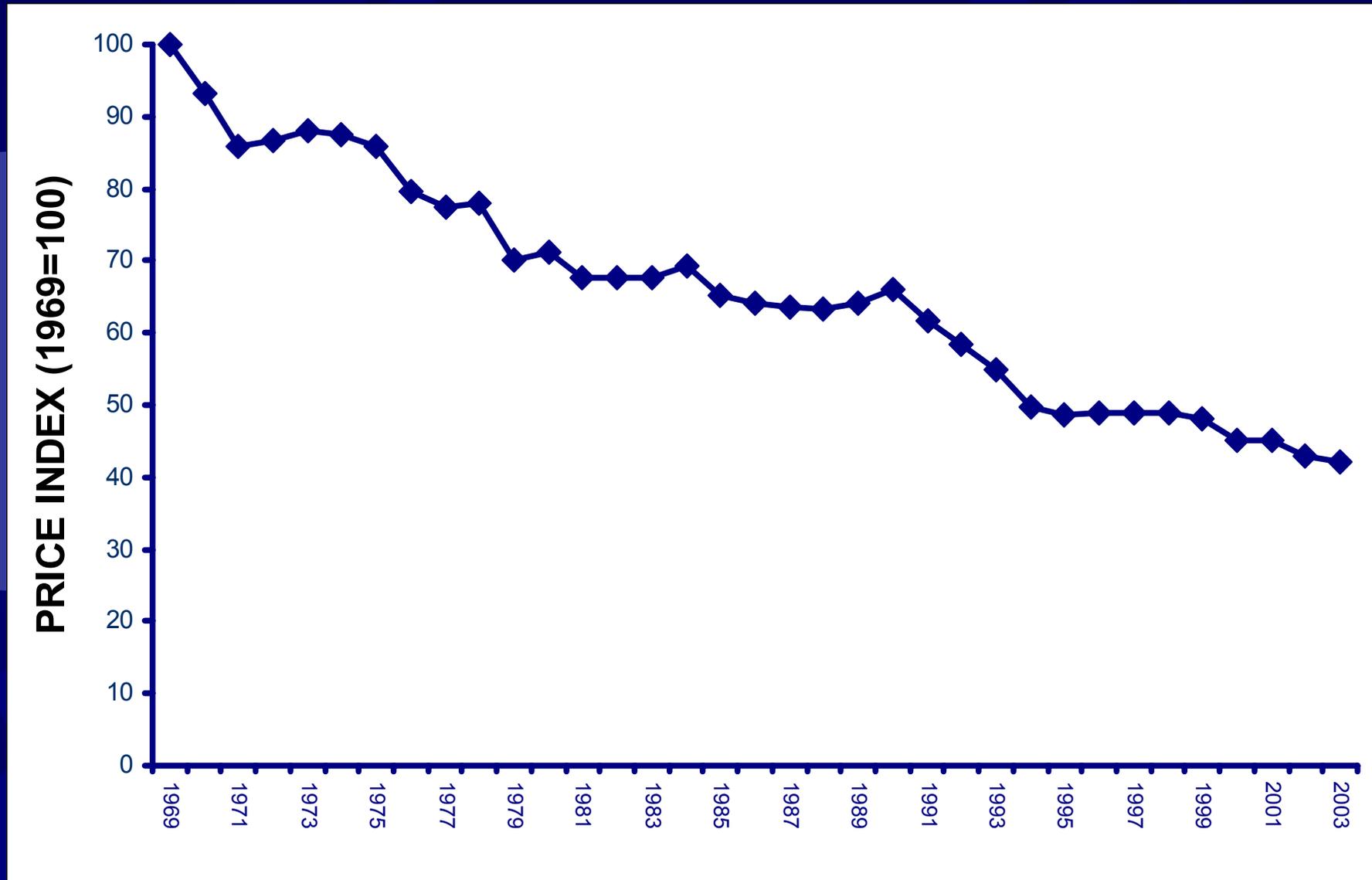


Cost Evolution Particleboard

Source: E.P.F.

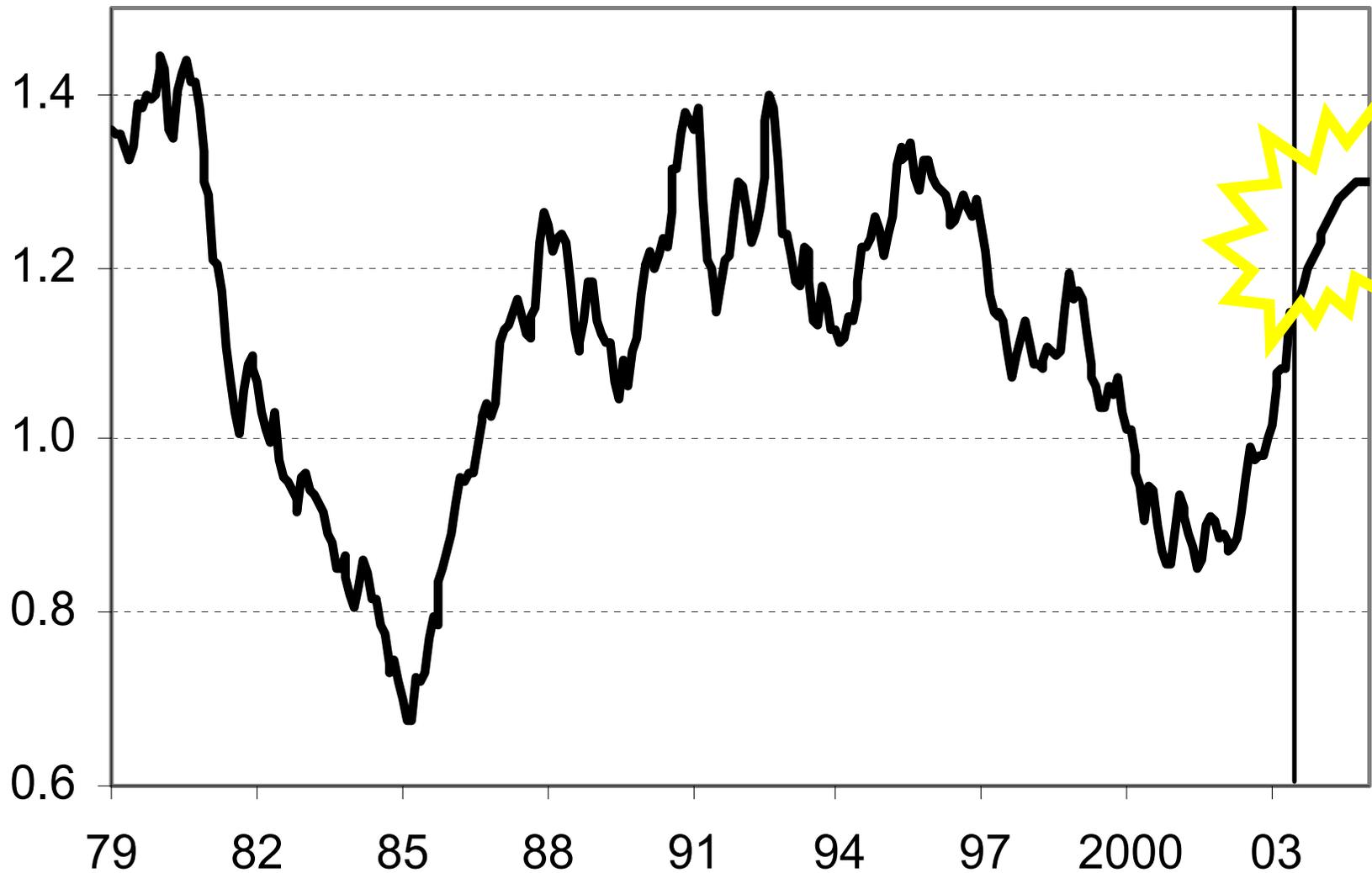


Historical Price Index - Particleboard



Source: UN/FAO, TRADA, Other

Exchange Rate - expectations ?



Exchange Rate – 120 Days

USD

1.19887

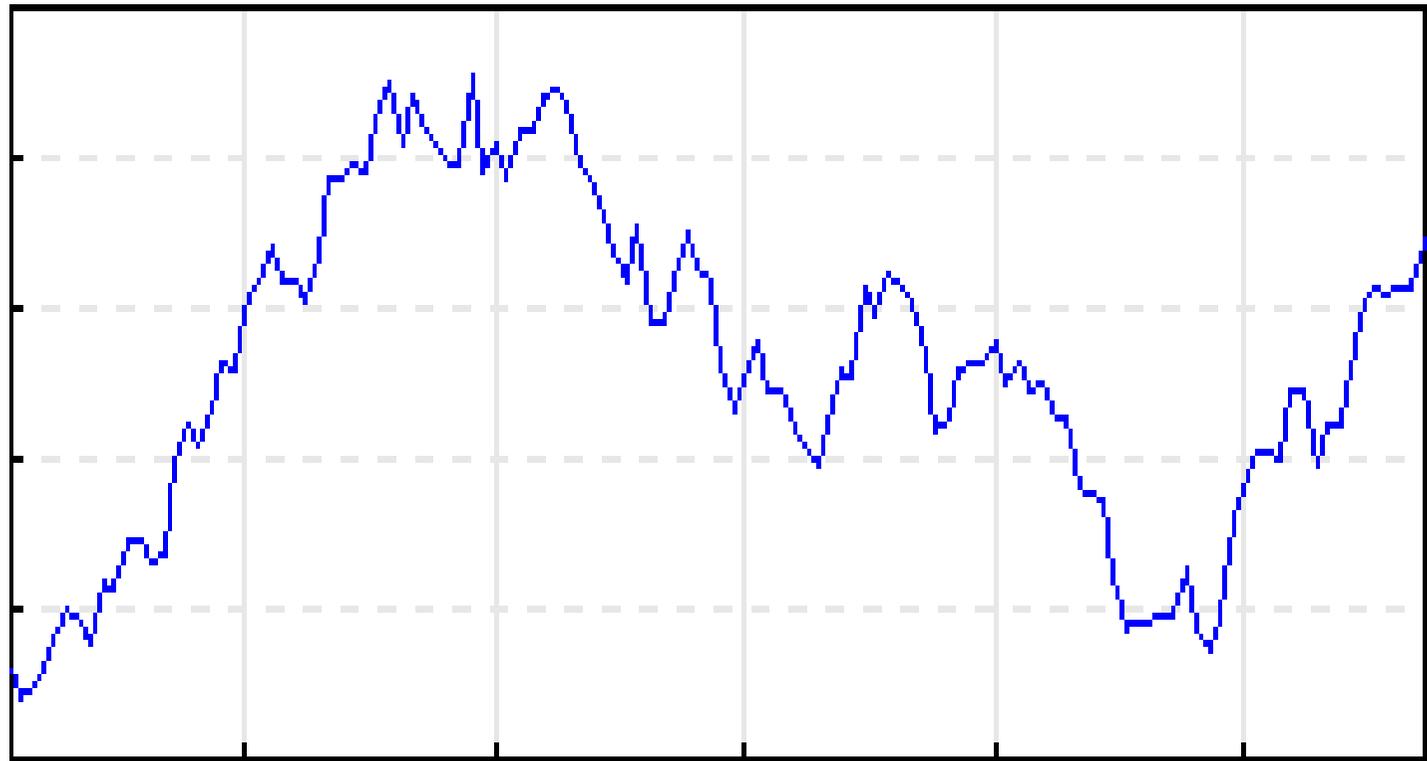
1.17197

1.14506

1.11816

1.09125

1.06435



May 8

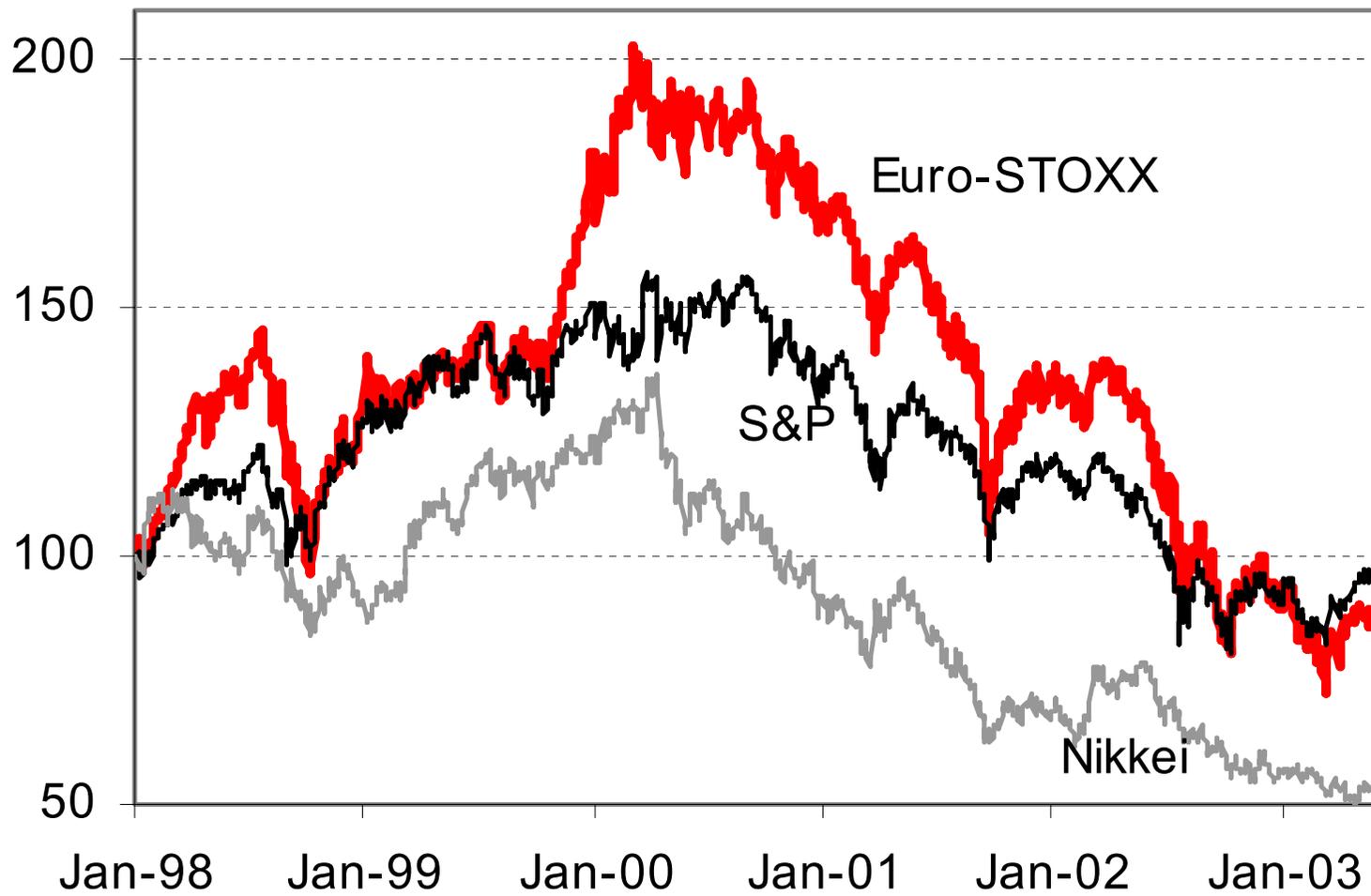
Jun 9

Jul 9

Aug 7

Sep 8

Stock Markets – Wealth effect ?



Prospects for the Future

- ❖ Particleboard will continue to remain the major panel type in Europe at almost 70%.
- ❖ Mature commodity industry with current over capacity (short-term?).
- ❖ Particleboard consumption declining since 2000 (-5%).
- ❖ Economic recovery deferred until at least 2004 ?
- ❖ European recovery dependant on global recovery ?
- ❖ Exchange rate USD versus EUR – implications for industry ?
- ❖ Restructuring of particleboard industry inevitable ?
- ❖ External effects of increasing wood and transport costs.
- ❖ Surviving the current crises.