

## Economics of the p&p industry, exam

27.1.2009

	Right	Wrong	Not know
About 45 % of paper and board consumption is in packaging			
The employment multiple effect in forest industry is low			
Forest industry contributes to the reduction of CO2			
Paper can be recycled at least 5 times			
Modern pulp mills generates energy			
World paper and board consumption is aprox. 360 mill. Tons/a			
In bulk products sales price is the most important competitive factor			
In most grades real prices have declined by aprox. 1 %/a during last 30 years			
The share of recycled paper of the consumption of papermaking fibers is aprox. 50 %			
North America and Europe export recycled paper			
Technical age takes into account modernizations done during the life of a mill or machine			
Forest including soil contains more carbon than the atmosphere			
Forest land area is declining globally			
Half of global forest harvest is used as fuel wood			
Hardwood cost per m3 in Brazil is less than half of the costs in Scandinavia			
The purpose of the Kyoto protocol is to stabilize the CO2 content in the atmosphere at present level			
Pulp and paper industry is globally well consolidated			
Since 1999 the pulp&paper industry has shut down several hundred paper machines			
M&A:s increase market shares and new capacity			
ROCE cannot be improved by faster asset turn-over			
ROCE can be improved short term by lowering investments			
Replacement investments improve ROCE			



Project profitability is most sensitive to changes in investment costs			
Cost competitiveness analysis for pulp can be made both for potential new as well as for existing mills			
Guarantees give good protection to buyer of pulp mill equipment			
the share of main process equipment in a large pulp mill project is approx. 30 %			
In Brazil economy of scale in pulp production can be utilized at least until 2 mill.ton of mill capacity			
Exchange rate variations are not a factor of uncertainty in cost competitiveness			
World paper demand is estimated to increase to close to 500 mill tons by 2020			
Profitability of the p&p industry in Europe since 2000 has been acceptable			
Efficiency of production illustrates the success or lack of it in operations			
Future price development of most paper grades can be predicted with good accuracy			
Define letters in WACC			
Define letters in IRR			
Define letters in M&A			
World paper demand is expected to increase to 500 mill tons by 2020			
Industry in Canada owns most of the forests			
Forests in Finland contain more wood than ever			
Since 2000 p&p industry has shut down several hundred paper machines			
Wood is the largest global producer of bioenergy			