

United Pulp and Paper Co., Inc

In 1968, the Cement Association of the Philippines engaged the services of PHINMA to undertake studies to determine the feasibility of establishing a pulp and paper manufacturing operation, to ensure the continued availability of paper for cement sacks which at that time were largely imported.

In December 1969, United Pulp and Paper Co., Inc (UPPC) was incorporated and registered with the Securities and Exchange Commission. The shareholders included nine (9) cement companies: Bacnotan Consolidated Industries, Inc, Marinduque Mining and Industrial Corporation, Iligan Cement Corporation, Filipinas Cement Corporation, Hi-Cement Corporation, Luzon Cement Corporation, Republic Cement Corporation, Fortune Cement Corporation, and Rizal Cement Corporation. Pampanga Sugar Development Company (PASUDECO) and National Life Insurance Company were the non-cement institutional investors.

In 1970, the supply and engineering contract, and the construction and erection contract were awarded to Societe Generale D' Enterprises S.A. (SGE) of France. Prospective key managers and operators, 35, in all, started training for pulp and paper manufacturing operations at Siam Kraft Paper Ltd. in Ban Pong, Thailand.

The company completed its first year of operation in 1975 producing 10,400MT. The company posted its first year of profitable operations in the succeeding year with P4.2 million in profits. The first collective bargaining agreement with the UPPC Employees Union (FFW) was signed in 1977.

The next decade started with a difficult business environment due to a weak domestic market, inflation, and high interest. By 1982, UPPC started the negotiation for a restructuring of its obligations with creditors and a favorable

restructuring agreement was reached before the end of 1983. In 1989, the company ceased to operate the pulp mill in order to further reduce cost. Waste paper was used in place of bagasse pulp.

In 1995, after 12 years of continuous profitability, the company reported a net loss of P4.4 million which was brought about by the price war for corrugating medium and the strong shift of the company's cement customer towards WPP bags. A joint venture agreement was signed between the Siam Pulp and Paper Public Co., Ltd. (SPPC), a member of the Siam Cement Group which is the largest cement paper group in Thailand in 1995. SPPC decided to invest into 34% ownership of the company, equally matching the ownership of the PHINMA group. At the centerpiece of this joint venture is the Paper Machine Number 2 Project which will be dedicated to the production of Corrugating Medium and Linerboard paper grades. The joint venture was signed formally on February 29, 1995 in Bangkok, Thailand, in signing ceremonies witnessed by Former President Fidel V. Ramos.

In 1997, the Asian Financial Crisis occurred which led to the steep depreciation of the Peso and a significant increase in interest rates. This effectively increased the project cost of PM2 and the power plant from Php 1.1 billion to Php 4.25 billion. Nevertheless, the civil works for PM2 was 90% completed at the end of 1997. To prime the market up for the projected output of PM2, the company sold 15,383MT of corrugating medium and liner manufactured by Siam Kraft Industry Company, Ltd. (SKIC), a subsidiary of SPPC. By 1998, the company completed the PM2 Effluent Treatment Plant and Co-Generation Plant. The new PM#2 machine increased the overall annual capacity of the Plant to almost 200,000MT. (PM1 at 45,000MT and PM2 at 150,000MT)

In 2003, UPPC which was saddled by high debts from the PM#2 project started to restructure. SPPC increased its shareholding in UPPC from 34% to 98% through a share purchase agreement with the PHINMA Group and Tender Offer to other minority shareholders. All existing debts were prepaid and company increased its capitalization from Php 2.7 Billion to Php 6.6 Billion. In December 2005, the company started the operation of its Php 1.4 Billion Circulating Fluidized Bed (CFB) Boiler which will use coal, paper sludge, paper rejects and other biomass for its fuel. The operation of the new CFB was very timely as the cost of oil reached a record high of

\$70/barrel that year. The new CFB Boiler will make UPPC's energy cost competitive compared to its regional competitors. Another milestone was also achieved that same year; As Production from both paper machines reached a new combined record of 218,47.

(www.uppc.co.ph)