

Global Forest and Paper Industry Net Earnings Summary

Three months ended September 30, 2010

This Net Earnings Summary is prepared by PwC from financial statements issued by the companies noted. Canadian dollars are used unless otherwise noted. All comparative figures are with the three months ended June 2010 and September 2009, unless otherwise specified.

Canada

Canadian forest and paper producers recorded strong results and a solid performance for the third quarter of 2010 amid ongoing market uncertainty.

Markets for pulp remained favourable during the quarter in spite of downward pressure exerted by addition of idled capacity and reduced demand from China. Prices for NBSK pulp remained at near record levels and averaged just over \$1000 per tonne compared to \$840 per tonne in the same quarter in 2009. Producers were faced with higher fibre costs during the quarter, but benefited from increased and record production levels.

Following a quarter of increased seasonal construction activity, lumber producers continued to operate at higher production rates compared to the third quarter in 2009, but at levels below industry capacity. Many producers noted that growth in demand from Asia helped to offset reduction in shipments to North American markets. Strength in pricing did not carry over into the third quarter of 2010. Average prices for 2x4 #2&Btr Western SPF dropped from \$273 per thousand board feet in the second quarter to \$232 per thousand board feet in the third quarter of 2010. This compares to an average price of \$210 per thousand board feet in the third quarter of 2009.

The decline in pricing was even more dramatic for OSB where average prices for 7/16" delivered North Central decreased to \$199 per thousand square feet in the quarter from \$305 per thousand square feet in the second quarter of 2010. Prices were comparable to \$196 per thousand square feet in the third quarter of 2009.

Net Earnings (Loss): Western Canada \$ millions

Company	2010 Q3	2010 Q2	2009 Q3
Mercer	\$62	\$16	(\$22)
West Fraser	45	63	(199)
Canfor	34	40	4
Ainsworth	10	(18)	20
Millar Western	8	3	12
Western	7	10	(17)
Catalyst	6	(368)	13
TimberWest	5	21	(22)
Interfor	2	(3)	10
Total	\$179	(\$236)	(\$201)

Net Earnings (Loss): Eastern Canada \$ millions

Company	2010 Q3	2010 Q2	2009 Q3
Domtar	\$199	\$32	\$201
Cascades	30	21	34
Tembec	2	59	(17)
Norbord	(7)	38	(8)
AbitibiBowater ¹	(861)	(305)	(561)
Total	(\$637)	(\$155)	(\$351)

¹ Under creditor protection in Canada and the US since April 2009

Not since the second quarter of 2000 have all nine of the largest Western Canadian-based companies posted positive net earnings in a quarter. The third quarter earnings of \$179 million represented an improvement over losses of \$236 million in the second quarter and losses of \$201 million in the third quarter of 2009.

Net earnings in the third quarter of 2010 were comparable to results reported for the same quarter in 2009 for three of the five largest Eastern Canadian-based companies. In aggregate, the five companies reported losses of \$637 million in the third quarter of 2010, a drop from losses of \$155 million in the prior period and losses of \$351 in the third quarter of 2009. Included in the results for AbitibiBowater for the third quarter of 2010 are \$760 million of reorganizational item costs. The results for Domtar and AbitibiBowater for the third quarter of 2009 include \$280 million of US Alternative Fuel Mixture Credits.

United States

Ten of the largest US-based forest and paper companies reported net earnings of US \$2.3 billion, up from earnings of US \$1.2 billion in the same period in 2009. Included in the third quarter earnings for 2010 is a US \$1.0 billion gain by Weyerhaeuser from income tax adjustments related to the conversion to a real estate investment trust. Third quarter results for 2009 included pre-tax gains of almost \$1.0 billion from the Alternative Fuel Mixture (“Black Liquor”) Credit which expired on December 31, 2009.

Europe

Nine of the largest European-based forest and paper companies reported overall earnings of €683 million in the third quarter of 2010, an improvement from losses of €449 million in the third quarter of 2009. Almost all of the companies experienced improvement in financial performance compared to the same period in 2009 citing improved sales volumes and favourable prices.

Rest of World

Ten of the largest forest and paper companies in other regions reported net earnings of US \$1 billion, and improvement from net earnings of US \$693 million in the third quarter of 2009.

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Net Earnings (Loss): United States US \$ millions

Company	2010 Q3	2010 Q2	2009 Q3
Weyerhaeuser	\$1,116	\$14	\$0
Kimberly-Clark	469	498	582
International Paper	397	93	371
Temple-Inland	125	20	67
Rock-Tenn	91	45	67
Smurfit-Stone ²	65	1,413	68
Sonoco	59	59	48
Graphic Packaging	18	(33)	33
MeadWestvaco	(15)	50	128
New Page	(67)	(174)	(138)
Total	\$2,258	\$1,985	\$1,226

² Emerged from creditor protection in Canada and the US in Q2 2010.

Net Earnings (Loss): Europe € millions

Company	2010 Q3	2010 Q2	2009 Q3
Stora Enso	€194	€160	(€520)
UPM-Kymmene	178	169	40
Svenska Cellulosa	147	150	124
Metsaliitto	89	62	(61)
Smurfit Kappa	41	(22)	(40)
Mayr-Melnhof Karton	34	21	28
Holmen	23	14	29
Ahlstrom	4	15	5
Sequana Capital	4	6	(6)
Norske Skog	(31)	(110)	(48)
Total	€683	€465	€449

Net Earnings (Loss): Rest of World US \$ millions

Company	2010 Q3	2010 Q2	2009 Q3
CMPC	\$254	\$123	\$63
Unicharm	216	67	138
Fibria	173	72	197
Suzano	156	68	109
Sappi	84	64	(103)
Sumitomo Forestry	71	(49)	(17)
Oji Paper	58	91	96
Rengo	37	53	93
Nippon Paper	30	41	84
Japan Pulp and Paper	7	10	17
Daio Paper	(52)	(1)	16
Total	\$1,034	\$539	\$693

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