

# Global Forest and Paper Industry Net Earnings Summary

## Three months ended June 30, 2010

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

### Canada

Canadian forest and paper producers credited higher prices, higher shipment volumes, and continued cost discipline for improved results during the second quarter of 2010.

Prices for NBSK pulp increased to record levels during the quarter surpassing US \$1000 per tonne, largely due to continued strength of demand from China and the disruption to global supply caused by the earthquake in Chile.

Demand for building materials remains well below industry capacity, however low inventories and a seasonal increase in construction activity during the quarter fuelled a brief reaction from the market. Price volatility prevailed as lumber and OSB prices surged to levels not seen since 2006, only to drop off sharply by the end the quarter as the market balance returned. Average monthly lumber and OSB prices in June were down 34% and 42% respectively, as compared to the April averages.

In accordance with the terms of the 2006 Softwood Lumber Agreement, the spike in lumber prices triggered a reduction in the export tax levied on US-bound shipments, dropping from 15% to 0% by the end of the quarter, and back up to 15% in July as prices eased. The strength of the Canadian dollar partially offset sales revenues denominated in US currency. Compared to the second quarter of 2009, the average value of the Canadian dollar appreciated 12% against its US counterpart.

Most of the largest Western Canadian-based companies reported improvement in the second quarter of 2010 compared to the same period in 2009. The aggregate loss of \$255 million for the region included \$302 million in asset impairment, severance and closure costs associated with the closing of Catalyst's Elk Falls paper mill and Coquitlam paper recycling operations.

Four of the five largest Eastern Canadian-based companies posted positive earnings in the second quarter of 2010. The overall net loss of \$155 million compares to a net loss of \$568 million for the same period in 2009. Included in the results for AbitibiBowater for the second quarter of 2010 are \$152 million of reorganization costs.

### United States

In the second quarter of 2010, ten of the largest US-based forest and paper companies reported net earnings of close to US \$2.0 billion, up from earnings of US \$914 million for the same period in 2009. Included in 2010 earnings is a US \$1.2 billion gain by Smurfit-Stone from reorganization items associated with their emergence from Chapter 11 at the end of June 2010. The only other companies to report improved earnings in the quarter were Kimberly-Clark and Sonoco. The second quarter of 2009 included pre-tax gains of \$1.3 billion from the Alternative Fuel Mixture ("Black Liquor") Credit which expired on December 31, 2009.

### Net Earnings (Loss): Western Canada

Three months ended June 30 – \$ millions

Company	2010 Q2	2009 Q2
West Fraser	\$63	(\$39)
Canfor	40	12
Mercer	16	(18)
Western	10	(30)
Millar Western	3	12
TimberWest	2	(11)
Interfor	(3)	(15)
Ainsworth	(18)	25
Catalyst	(368)	(2)
<b>Total</b>	<b>(\$255)</b>	<b>(\$66)</b>

### Net Earnings (Loss): Eastern Canada

Three months ended June 30 – \$ millions

Company	2010 Q2	2009 Q2
Tembec	\$59	(\$38)
Norbord	38	(21)
Domtar	32	56
Cascades	21	30
AbitibiBowater <sup>1</sup>	(305)	(595)
<b>Total</b>	<b>(\$155)</b>	<b>(\$568)</b>

<sup>1</sup> Under creditor protection in Canada and the US.

### Net Earnings (Loss): United States

Three months ended June 30 – US\$ millions

Company	2010 Q2	2009 Q2
Smurfit-Stone <sup>2</sup>	\$1,411	\$155
Kimberly-Clark	498	403
International Paper	93	136
Sonoco	59	34
MeadWestvaco	50	125
Rock-Tenn	45	87
Temple-Inand	20	66
Weyerhaeuser	14	(106)
Graphic Packaging	(33)	20
NewPage	(174)	(6)
<b>Total</b>	<b>\$1,983</b>	<b>\$914</b>

<sup>2</sup> Emerged from creditor protection in Canada and the US in Q2 2010.

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## Europe

Nine of the largest European-based forest and paper companies reported overall earnings of €436 million in the second quarter of 2010, up over €850 million from losses of €420 million reported in the second quarter of 2009. All but three 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 Latin America and Japan reported earnings of \$527 million, down modestly from earnings of \$598 million in the second quarter of 2009.

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## Net Earnings (Loss): Europe

Quarter ended June 30 – € millions

Company	2010 Q2	2009 Q2
UPM-Kymmene	€169	(€8)
Stora Enso	160	(368)
Svenska Cellulosa	151	108
Metsaliitto	62	(91)
Ahlstrom	15	3
Holmen	14	24
Sonae Industria	(6)	(36)
Smurfit Kappa	(22)	9
Norske Skog	(107)	(61)
<b>Total</b>	<b>€436</b>	<b>(€420)</b>

## Net Earnings (Loss): Rest of World

Three months ended June 30 – US\$ millions

Company	2010 Q2	2009 Q2
CMPC	\$123	\$28
Kimberly-Clark Mexico	86	82
Suzano	75	211
Fibria <sup>3</sup>	72	248
Unicharm	67	61
Sappi	64	(62)
Oji Paper	63	86
Nippon Paper	41	20
Mitsubishi Paper	(15)	(19)
Sumitomo Forestry	(49)	(57)
<b>Total</b>	<b>\$527</b>	<b>\$598</b>

<sup>3</sup> Fibria was created from a merger between Aracruz and Votorantim Celulose (VCP).

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