

# Global Forest and Paper Industry Net Earnings Summary

Three months ended March 31, 2011

*This Net Earnings Summary is prepared by PwC based on financial statements issued by the noted companies. Canadian dollars are used unless otherwise noted. All comparative figures are with the three months ended December 31, 2010 and March 31, 2011, unless otherwise specified.*

## Canada

Most Canadian forest and paper companies posted higher earnings for the first quarter of 2011 compared to the same period in 2010 despite continued weakness in North American demand, and volatility in the US housing market. Demand from China continued to boost sales volumes for many producers.

Stronger prices and higher sales volumes contributed to the improved performance for many producers. The benefits of price increases were partially offset by the continued strengthening of the Canadian dollar which adversely impacted export sales denominated in US currency. On average, the Canadian dollar appreciated against the US dollar by 5.5% compared to the first quarter of 2010.

Six of the nine largest public forest and paper companies operating in Western Canada reported positive results for the first quarter of 2011. Net earnings totalling \$165 million were reported for the quarter, slightly lower than the net earnings of \$182 million reported for the previous quarter, and an improvement from net earnings of \$31 million for the same period in 2010. Included in Ainsworth's first quarter 2011 results is a \$72.5 million gain related to the acquisition of the remaining interest in the OSB mill in High Level, Alberta.

Eastern Canadian based companies posted net earnings of \$158 million for the quarter, compared to net earnings of \$4.5 billion reported for the previous quarter, and up from losses of \$466 million for the first quarter of 2010. Of the five companies, all but one reported improved results when compared to the same period in 2010. AbitibiBowater emerged from creditor protection in December 2010. Consequently, results from prior periods are not directly comparable due to reorganization and application of fresh start accounting.

## Net Earnings (Loss): Western Canada \$ millions

Company	2011 Q1	2010 Q4 <sup>1</sup>	2010 Q1 <sup>1</sup>
Ainsworth	\$78	\$3	\$16
Mercer	39	49	(11)
Canfor	32	55	36
West Fraser	19	43	29
TimberWest	8	(2)	(2)
Millar Western	5	3	2
Western Forest	(1)	20	9
Interfor	(2)	1	(4)
Catalyst	(13)	10	(44)
<b>Total</b>	<b>\$165</b>	<b>\$182</b>	<b>\$31</b>

<sup>1</sup> Comparative balances presented for 2010 have been restated under IFRS for companies that adopted IFRS on January 1, 2011

## Net Earnings (Loss): Eastern Canada \$ millions

Company	2011 Q1	2010 Q4 <sup>1</sup>	2010 Q1 <sup>1</sup>
Domtar	\$131	\$321	\$60
AbitibiBowater <sup>2</sup>	30	4,186	(520)
Tembec	7	(12)	-
Norbord	(2)	(9)	(7)
Cascades	(8)	(12)	1
<b>Total</b>	<b>\$158</b>	<b>\$4,474</b>	<b>(\$466)</b>

<sup>1</sup> Comparative balances presented for 2010 have been restated under IFRS for companies that adopted IFRS on January 1, 2011

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

## United States

Ten of the largest US-based forest and paper companies reported net earnings of US \$959 million for the first quarter of 2011, consistent with results from the previous quarter. Quarter one 2011 results are substantially improved from earnings of US \$46 million in the same period in 2010. Included in the fourth quarter results for NewPage are \$196 million of asset impairment charges related to the closure of the Whiting paper mill.

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

Company	2011 Q1	2010 Q4	2010 Q1
Kimberly-Clark	\$350	\$492	\$384
International Paper	342	316	(162)
Weyerhaeuser	99	171	(20)
MeadWestvaco	65	47	24
Sonoco	57	35	49
Smurfit-Stone <sup>2</sup>	54	49	(89)
Rock-Tenn	37	50	33
Graphic Packaging	27	20	6
Temple-Inland	16	27	(4)
New Page	(88)	(240)	(175)
<b>Total</b>	<b>\$959</b>	<b>\$967</b>	<b>\$46</b>

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

## Europe

Ten of the largest European-based forest and paper companies reported overall earnings of €701 million for the first quarter of 2011, down from results of €758 million in the previous quarter, and up from €219 million in the first quarter of 2010. All of the companies in the region posted improved earnings compared to the same period in 2010.

### Net Earnings (Loss): Europe € millions

Company	2011 Q1	2010 Q4	2010 Q1
UPM-Kymmene	€169	€144	€70
Stora Enso	156	313	102
Svenska Cellulosa	151	182	109
Metsaliitto	63	23	40
Holmen	42	19	19
Mayr-Melnhof Karton	35	27	28
Smurfit Kappa	29	57	(17)
Sequana Capital	24	25	4
Norske Skog	22	(25)	(142)
Ahlstrom	10	(7)	6
<b>Total</b>	<b>€701</b>	<b>€758</b>	<b>€219</b>

## Rest of World

Ten of the largest forest and paper companies in Japan and emerging markets posted losses of US \$257 million, significantly lower than both the fourth quarter of 2010 (\$912 million profit) and the comparable period for 2010 (\$826 million profit). Results for a number of companies operating in Japan reflect disruption to operations from the dramatic earthquake and tsunami in March 2011.

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

Company	2011 Q1	2010 Q4	2010 Q1
Arauco	\$177	\$264	\$63
CMPC	143	182	80
Sumitomo Forestry	31	13	43
Oji Paper	13	124	176
Japan Pulp and Paper	7	16	29
Unicharm	(5)	114	128
Rengo	(55)	82	92
Daio Paper	(59)	16	1
Sappi	(74)	37	(31)
Nippon Paper	(435)	64	245
<b>Total</b>	<b>(\$257)</b>	<b>\$912</b>	<b>\$826</b>

### Contacts

#### Forest & Paper Industry Practice

#### Bruce McIntyre

Vancouver, BC  
604 806 7595

#### Frédéric Bouchard

Montréal, QC  
514 205 5079

*PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 161,000 people in 154 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice.*

*See [www.pwc.com](http://www.pwc.com) for more information.*