

# Global Forest & Paper Industry

## Earnings Summary: Quarter ended June 30, 2006

This Earnings Summary is prepared by PricewaterhouseCoopers from financial statements issued by the companies. All comparative figures are with the second quarter of 2005, unless otherwise indicated.

Factors affecting earnings this quarter included decreasing solid wood prices, increasing pulp prices, and foreign exchange rate fluctuations, as well as continuing increases in energy and transportation costs.

### Canada

Earnings in the Canadian industry for the quarter increased by 825% to CAD 453 million over the same quarter a year ago, when the industry suffered a loss of CAD 62 million. The current period's results were favourably impacted by the strengthening of the Canadian dollar, resulting in pre-tax foreign exchange gains of CAD 398 million in the quarter on the translation of US dollar denominated debt. In relation to the US dollar, the Canadian dollar strengthened by an average of 10.8% over the second quarter of 2005, and by 8.5% on a year to date average over the same period in 2005.

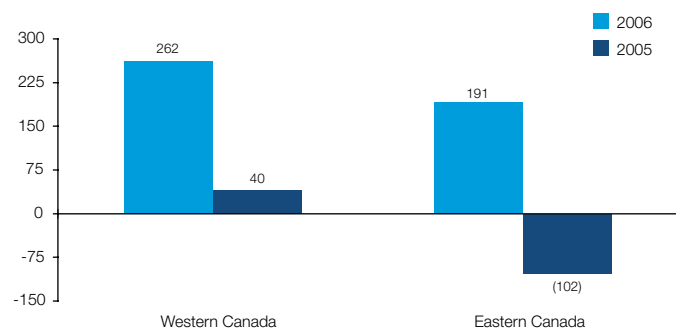
### Western Canada

Seven of the nine largest public forest and paper companies operating in Western Canada saw positive results during the second quarter. In aggregate, the Western Canadian industry achieved earnings totalling CAD 262 million, up from CAD 40 million in the second quarter of 2005. The major component of the 2006 earnings were gains on foreign currency denominated debt, as companies in the West reported CAD 172 million in pre-tax foreign exchange gains.

Similar to the reductions seen in the second quarter of 2005, countervailing and anti-dumping duties expensed by the companies decreased by 51% to CAD 66 million from CAD 135 million in 2005 due to lower duty rates.

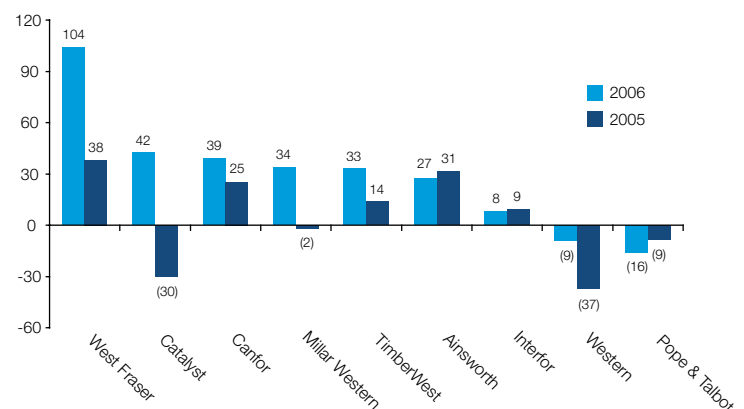
### Canada

(Quarter ended June 30, 2006—CAD millions)



### Western Canada

(Quarter ended June 30, 2006—CAD millions)

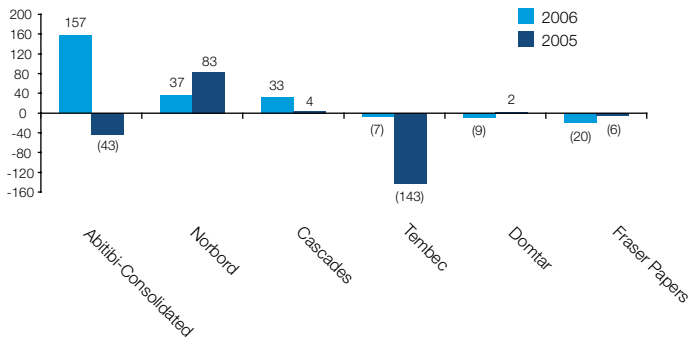


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### Eastern Canada

(Quarter ended June 30, 2006—CAD millions)

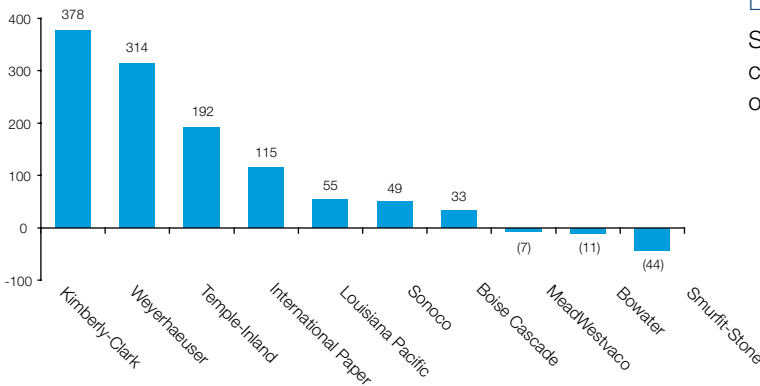


### Eastern Canada

The six largest public forest and paper companies based in Eastern Canada reported aggregate earnings of CAD 191 million in 2006, up 287% from a loss of CAD 103 million in 2005. With a larger amount of U.S. dollar denominated debt than their Western counterparts, Eastern companies are more sensitive to movements in Canada/US exchange rates. As a result, the strengthening of the Canadian dollar had a large impact. The Eastern industry experienced pre-tax foreign exchange gains of CAD 226 million on U.S. dollar denominated debt, compared to a loss of CAD 87 million in 2005.

### US Companies

(Quarter ended June 30, 2006—USD millions)



### United States

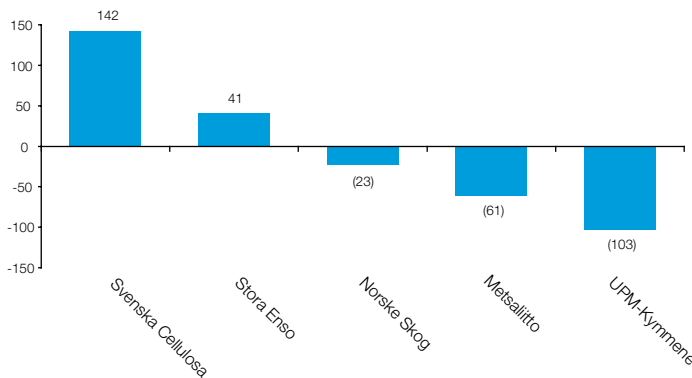
Of the ten largest public US-based forest and paper companies, seven experienced positive earnings in the second quarter, but only five were able to show improved performance from the second quarter of 2005. In aggregate, earnings were USD 1,074 million compared to USD 1,028 million for the same period in 2005.

### Europe

Six of the largest European-based public forest and paper companies reported a loss of € 4 million in the second quarter of 2006. Losses of € 7 million were reported in Q2 of 2005.

### European Companies

(Quarter ended June 30, 2006—Euro millions)



PricewaterhouseCoopers ([www.pwc.com](http://www.pwc.com)) provides professional services to 50% of the world's top 100 largest forest and paper companies.

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