

Global Forest & Paper Industry Net Earnings Summary

Six months ended June 30, 2008

This Net Earnings Summary is prepared by PricewaterhouseCoopers from financial statements issued by the companies noted. All figures are in US dollars and all comparative figures are with the six months ended June 2007, unless otherwise indicated.

United States

Eight of the largest public US-based forest and paper companies posted earnings of \$1.2 billion in the first half of 2008, down 50% from earnings of \$2.4 billion in the same period of 2007. 2007 results included \$800 million in earnings from the fine paper business that Weyerhaeuser sold to Domtar and a \$200 million gain on sales of discontinued operations by International Paper.

The pulp and paper sector experienced strong unit prices and sales volumes in the first half of 2008, although a weakening is starting to appear. There was erosion of the bottom line due to higher input costs, including fibre, energy, chemicals and other materials.

Solid wood results were down from 2007, plagued by the poor residential construction market. In addition to the depressed revenues, producers had to deal with the rising energy costs.

Europe

Six month revenues reported by six large public European based forest and paper companies increased 15% over 2007 and headline earnings increased \$200 million from \$1.0 billion to \$1.2 billion. Adjusted for special items, mainly restructuring costs and impairment charges, underlying earnings of close to \$1.4 billion were virtually unchanged from 2007. Company fortunes varied according to their product portfolios and geographic focus. However the broad picture was of a sector continuing to struggle to secure price increases to compensate for rising input costs. The weakest segment was solid wood where prices collapsed; newsprint trended down and coated fine paper continued to struggle. Magazine and packaging grades improved. Companies with high exposure to CEE also performed better than those more dependent on dull West European markets. All companies continued to suffer to varying degrees due to the weak US dollar.

Net Earnings (Loss): United States

(Six months ended June 30 - US\$ millions)

Company Name	Jun-08	Jun-07
Kimberly-Clark	\$858	\$914
International Paper	360	624
Sonoco	71	95
MeadWestvaco	52	16
Temple-Inland	(5)	104
Weyerhaeuser	(16)	676
Boise Cascade	(40)	39
Smurfit-Stone	(50)	(54)
Total	\$1,230	\$2,414

Net Earnings (Loss): Europe

(Six months ended June 30 - US\$ millions)

Company Name	Jun-08	Jun-07
Svenska Cellulosa	\$475	\$432
UPM	295	(89)
Smurfit Kappa	190	(52)
Stora Enso	144	479
Mondi	133	218
Norske Skog	(48)	7
Total	\$1,189	\$995

Rest of World

Seven of the largest forest and paper companies in South America, Asia and South Africa reported earnings of \$1.3 billion in the first half of 2008, up from \$1.1 billion in 2007. The companies form a broad mix ranging from those largely based in developed markets—Sappi and Paperlinx—with the others based in the emerging markets. Revenues increased 10% due to higher volumes and higher prices and despite strong cost pressures, some producers were able to limit the impact, so that the benefits flowed to the bottom line.

Canada

The Canadian forest industry awash in red ink.

Losses of \$500 million for the first six months of 2008 were incurred by producers in Western Canada, substantially greater than losses of \$73 million in the first six months of 2007. 2008 results include Catalyst Paper's recognition of a \$100 million impairment in value of its Elk Falls mill due to permanent closure of the sawdust pulp and white top linerboard operations. Only Mercer International was able to report a positive bottom line, which was barely break even.

Eastern Canadian companies incurred losses of \$700 million for the first six months of 2008, compared to losses of \$100 million in the same period of 2007. The 2007 losses were cushioned by a \$221 million refund reported by Tembec in relation to the Softwood Lumber Agreement.

Sales revenues for the pulp and paper sector increased between 2007 and 2008. Unit prices are higher, sales volumes are higher and the Canadian dollar seems to have reached a plateau in relation to its US counterpart. However the lumber producers are not doing as well. Housing starts fell further in 2008, taking the price of lumber with them, with no improvement expected in the near term. Coupled with the high Canadian dollar, lumber prices realized by Canadian lumber producers have fallen significantly since the same period of 2007, which was already a significant low.

Operating costs were a rapidly rising concern for producers in the first half of 2008, with the prices of fossil fuels having the biggest impact.

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Net Earnings (Loss): Rest of World

(Six months ended June 30 - US\$ millions)

Company Name	Jun-08	Jun-07
Arauco (Chile)	\$354	\$346
CMPC (Chile)	232	203
Sappi (South Africa)	197	88
Aracruz (Brazil)	188	222
Nine Dragons (China)	142	130
Shandong Chenming (China) ⁽¹⁾	134	50
Paperlinx (Australia)	37	47
Total	\$1,284	\$1,086

(1) 2007 results are estimates

Net Earnings (Loss): Western Canada

(Six months ended June 30 - US\$ millions)

Company Name	Jun-08	Jun-07
Mercer	\$6	\$6
Millar Western	(9)	10
Canfor	(21)	(72)
Interfor	(30)	(2)
Western	(36)	22
TimberWest	(49)	(3)
West Fraser	(65)	(17)
Ainsworth	(122)	5
Catalyst	(161)	(22)
Total	(\$487)	(\$73)

Net Earnings (Loss): Eastern Canada

(Six months ended June 30 - US\$ millions)

Company Name	Jun-08	Jun-07
Domtar	\$60	\$53
Cascades	(29)	59
Fraser Papers	(35)	(48)
Norbord	(68)	(31)
Tembec	(118)	82
Abitibi-Consolidated ⁽¹⁾	(496)	(221)
Total	(\$686)	(\$106)

(1) 2007 results are estimates