

Global Forest and Paper CEO Survey 2006

- 4 continents
- 12 Countries
- 17 CEO's

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General Economics

Challenges

Strong Economic Growth

Emerging Markets

Industry Fragmentation

Government

Opportunities

Strong Economic Growth

Emerging Markets

Consolidation

“De-Integration”

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General Economics

Shareholder Value Proposition

- Asset Rationalization
- Customer Retention/market share defense
- Cost Reduction
- Restructuring/Investment

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Emerging Markets

Emerging Market Participation

- Emerging markets present tremendous opportunities for growth.
- Direct Investment and Joint Venture Investments are the vehicles of choice.
- Consumer demand for high grade products will drive exports sales into Emerging Market economies.

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Industry Consolidation

Mergers

- Additional growth through merger to be seen in mature markets

Acquisitions

- Growth through acquisition to be seen both through asset rationalization and corporate acquisition

Divestitures

- Asset Rationalization will require divestitures through closures or sale.

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Sustainability/Certification

- Sustainability is a critical success factor in many regions of the globe.
- Areas with limited environmental standards are not of high interest to many participants and discourage investment.
- Cooperation amongst stakeholders is seen as a key to successful utilization of the resources.
- Certification views range from those who are “highly supportive” to those who view certification as a “necessary evil”.

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Strategy

China

- Access to the Chinese growth opportunities are important to the success of strategic growth for many of our participants.
- China has some well established low cost producers – to penetrate the market now higher value product markets are being reviewed.
- Chinese manufacturers have developed strong relationships with low cost suppliers – this will continue to grow.

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Supply Chain

Fibre Supply

- Recent timberland ownership changes in North America are indicative of the importance placed on an integrated supply chain.
- South American low cost producers are reaping the benefits of maintaining ownership of the fibre.
- In other emerging markets access to new low cost fibre supply is seen as the key to continued growth.

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