

Financial Performance of the Global Forest and Paper Industry

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Messages Over the Years

2000: "Trending in the right direction"

2009:
"The worst downturn since the 1930s"

2005: "Doom and gloom"

2003:
"Another difficult year"

2002 "A very difficult year"

2008: "25 year low for lumber prices"

2006: "More bad news"

2007: "Can lumber go any lower? Is this as good as it gets for pulp?"

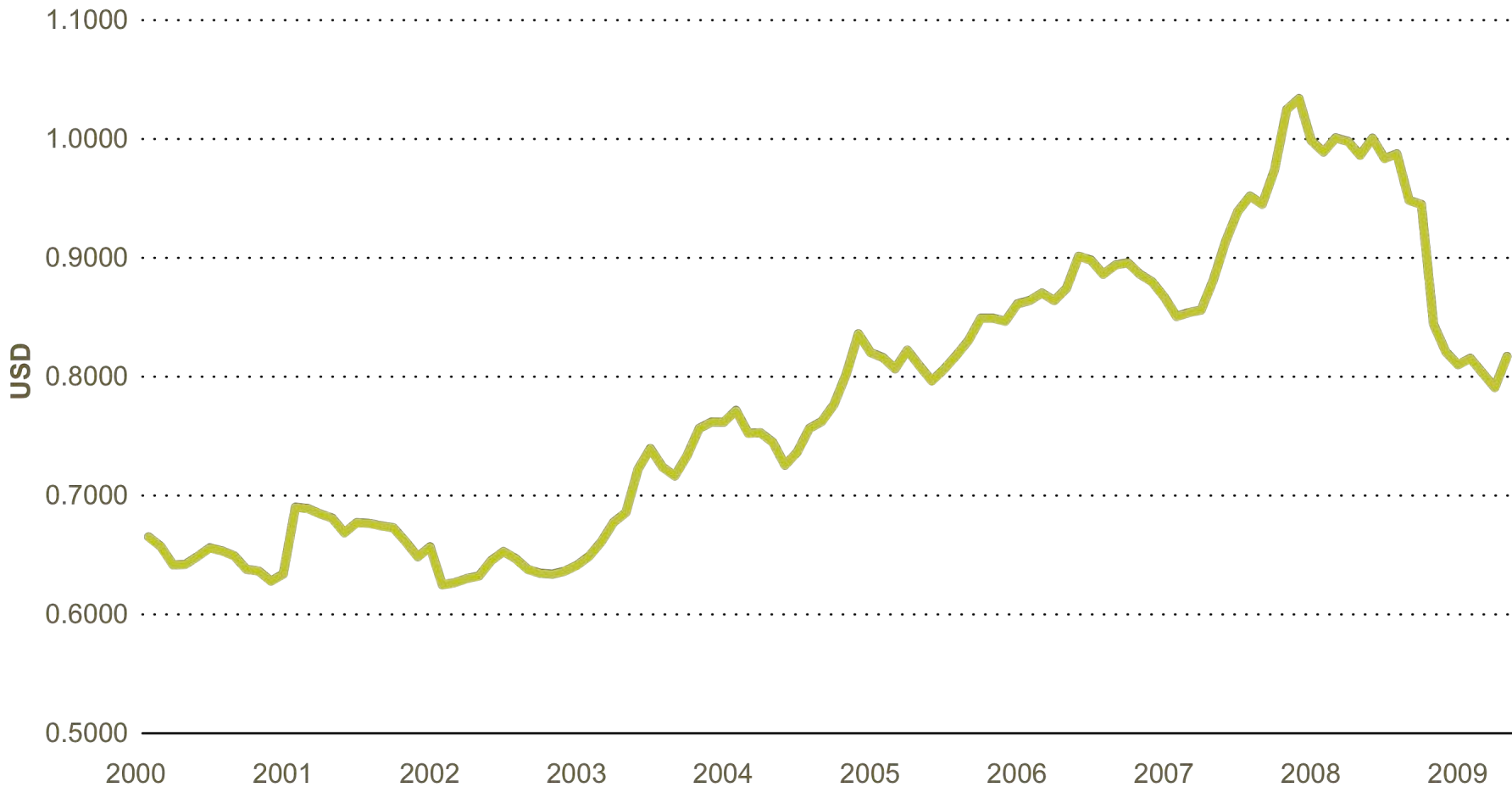


Forest and Paper 101

- Extremely capital intensive
- Low barriers to entry + high barriers to exit
= chronic oversupply
- Fragmented industry
- Commodity products
- Currency fluctuations

Exchange Rates

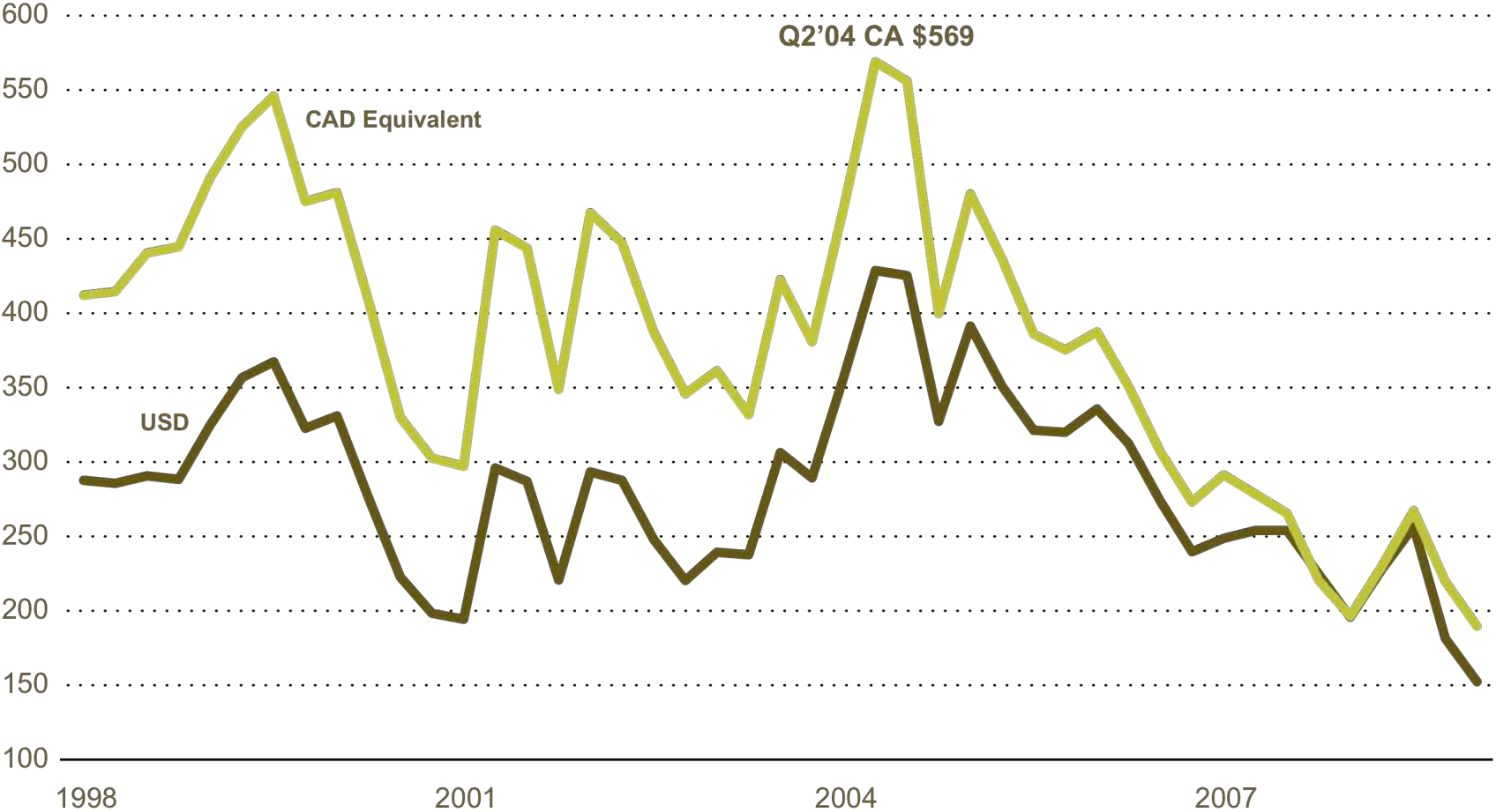
USD / CAD



Source: Bank of Canada (average monthly noon rates)

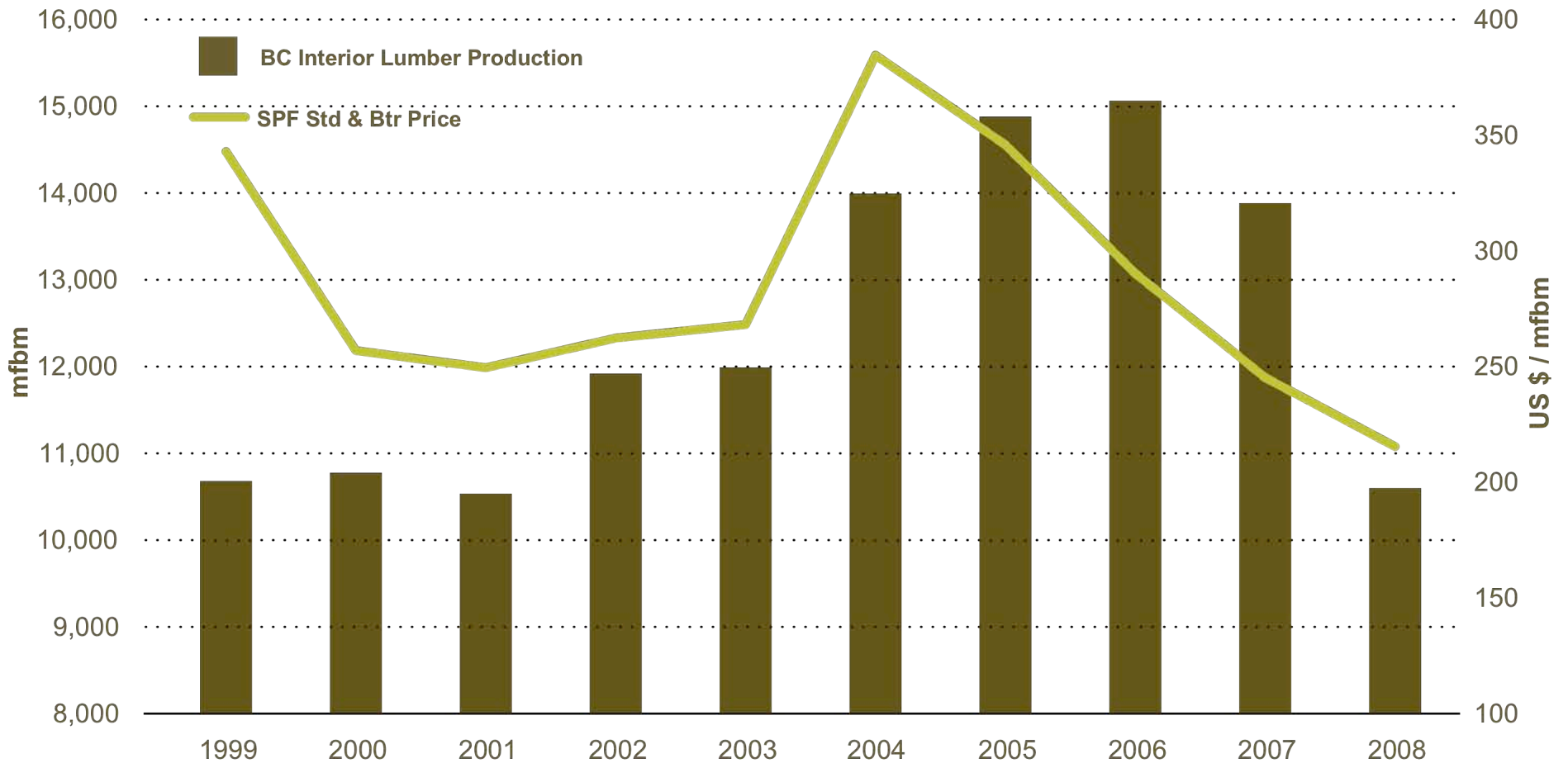
Lumber Prices

(\$ per mfbm)



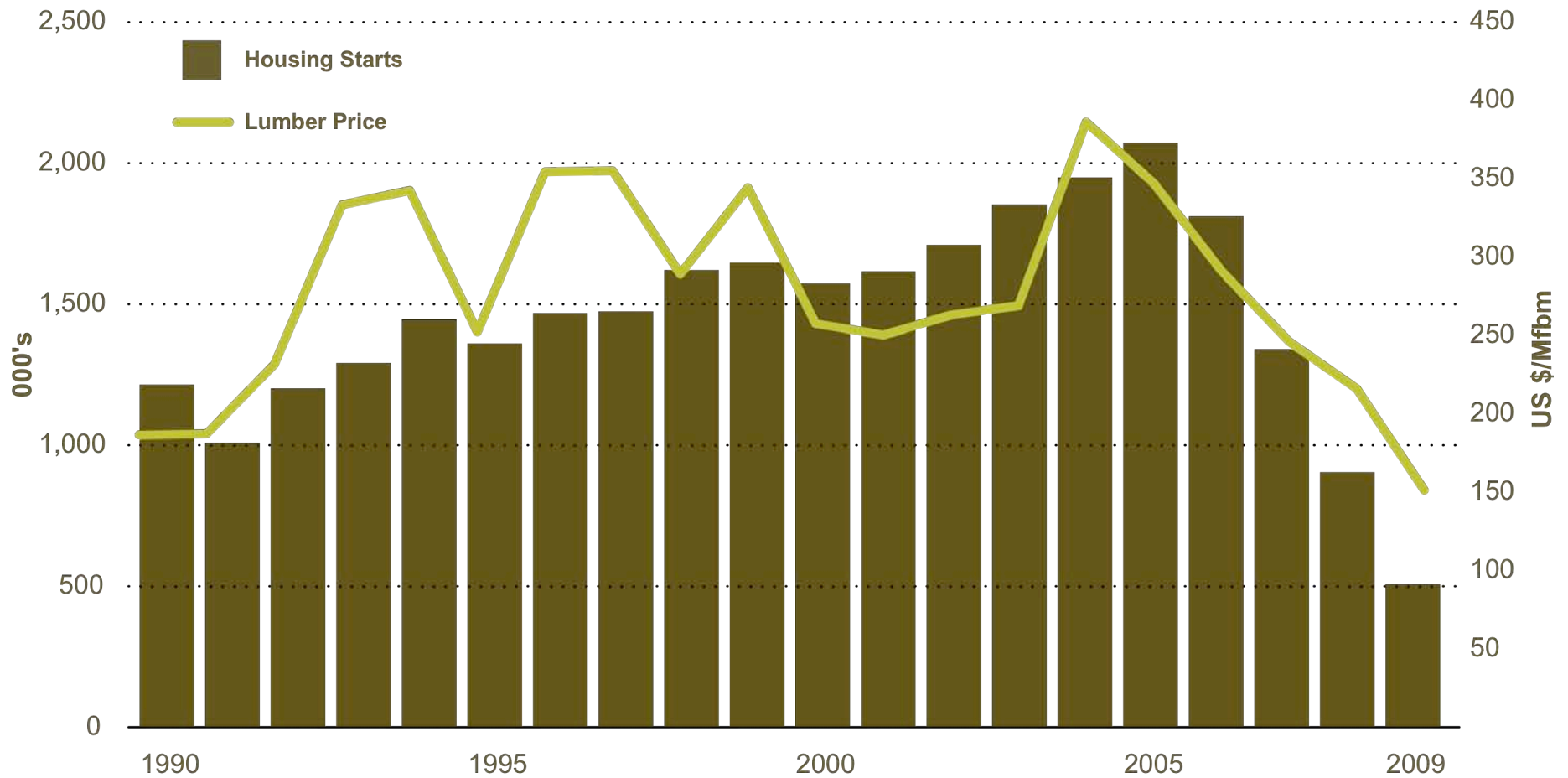
Source: Random Lengths (SPF, Western, 2x4, KD, Std & Btr, Random, FOB mill)

BC Interior Lumber Production



Sources: Statistics Canada, Random Lengths

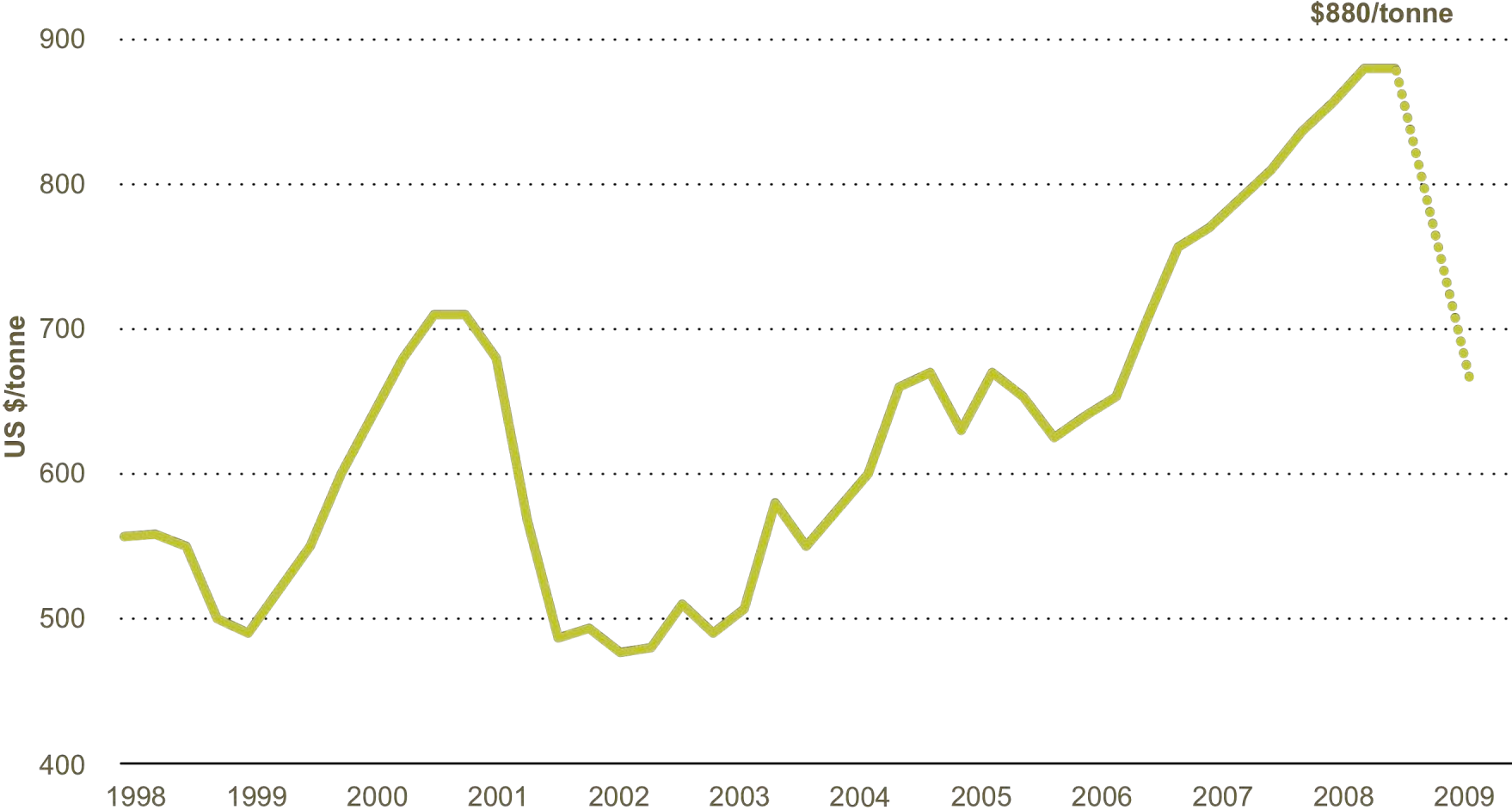
US Housing Starts and Lumber Prices



Source: US Census Bureau, Random Lengths

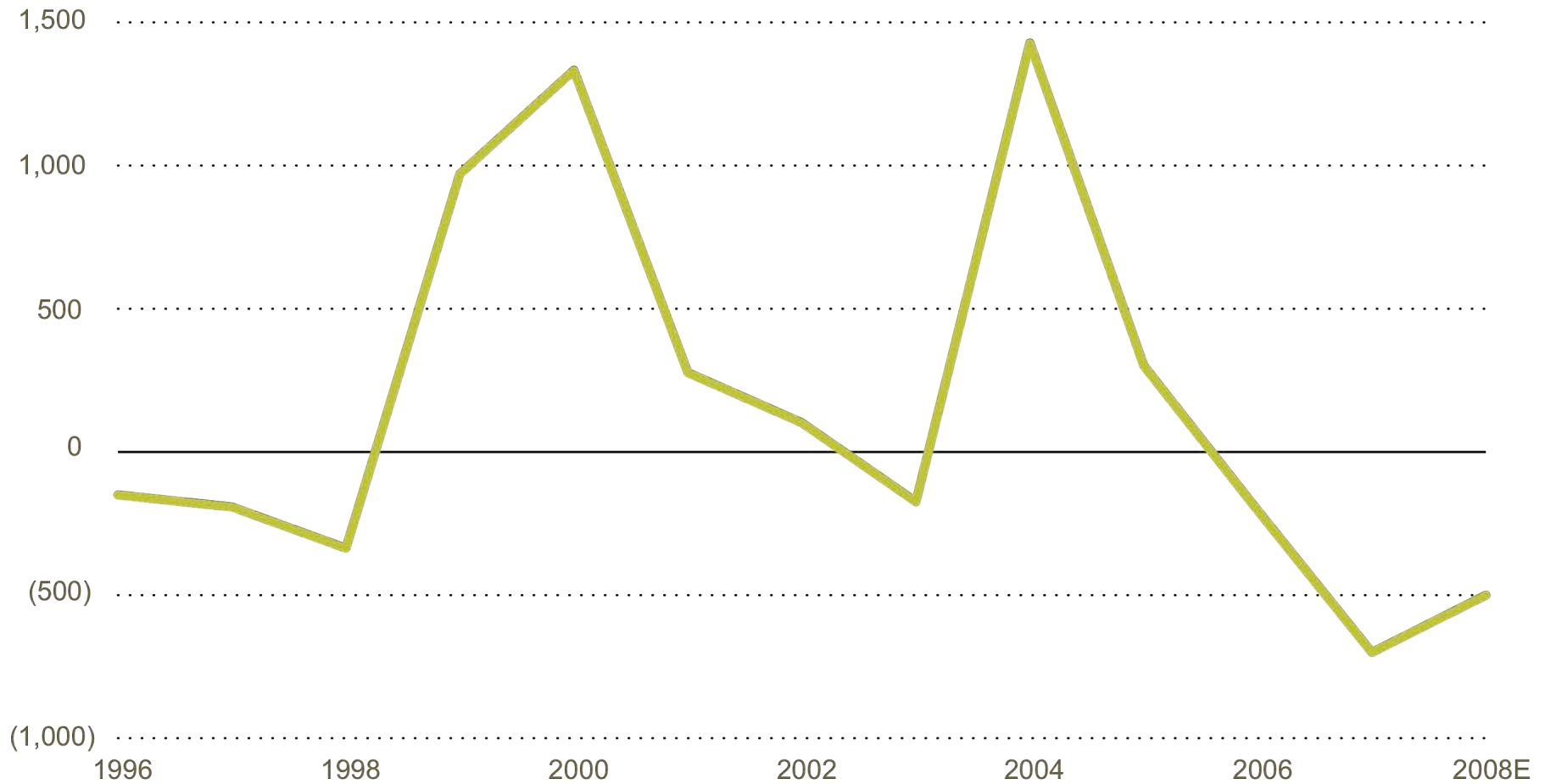
Pulp Price

(NBSK, USD per tonne)

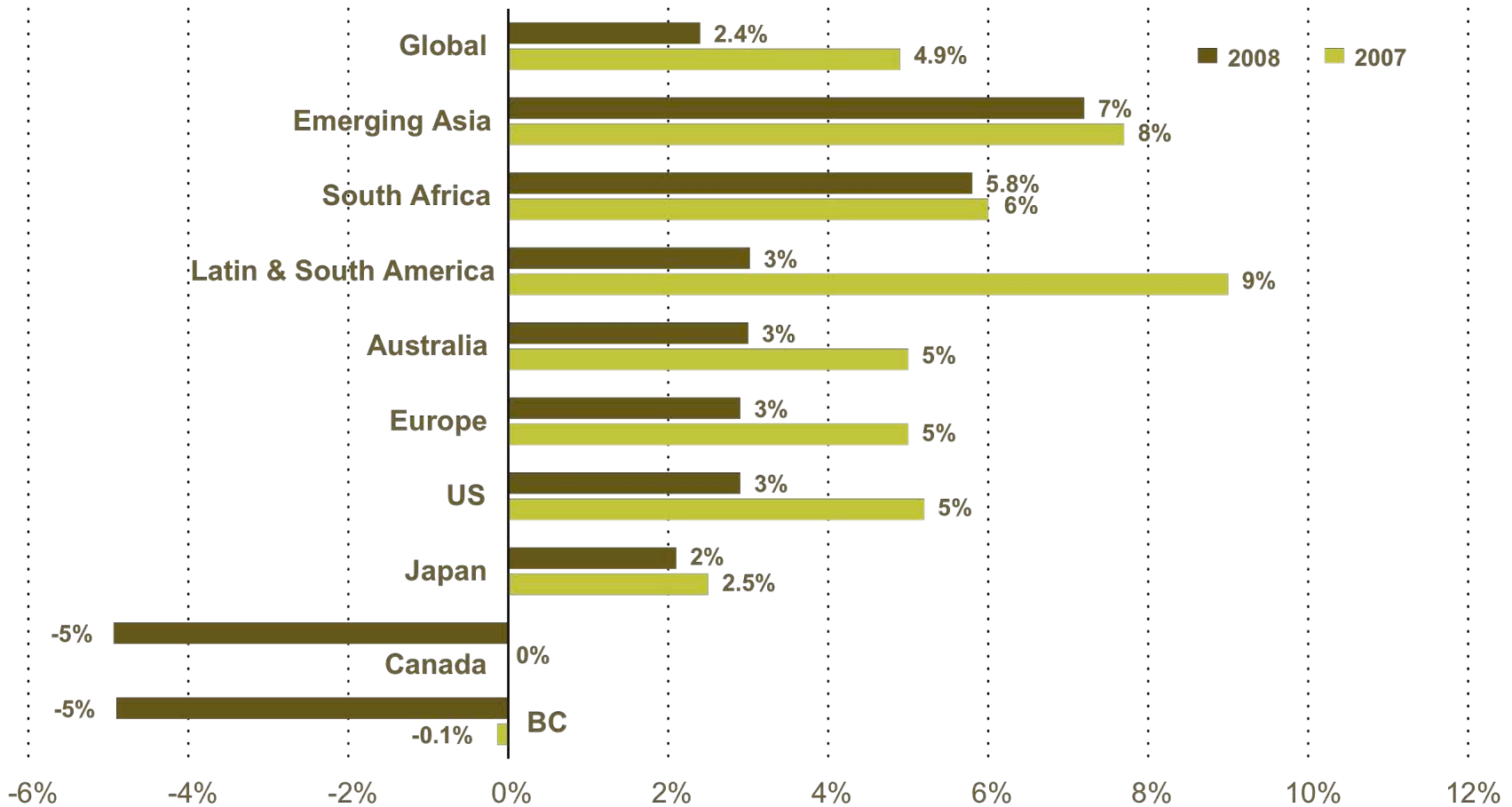


Source: Pulp & Paper Weekly

BC Operations—Operating Earnings (Loss) (CAD millions)



PwC 2008 Global Top 100 ROCE by Region

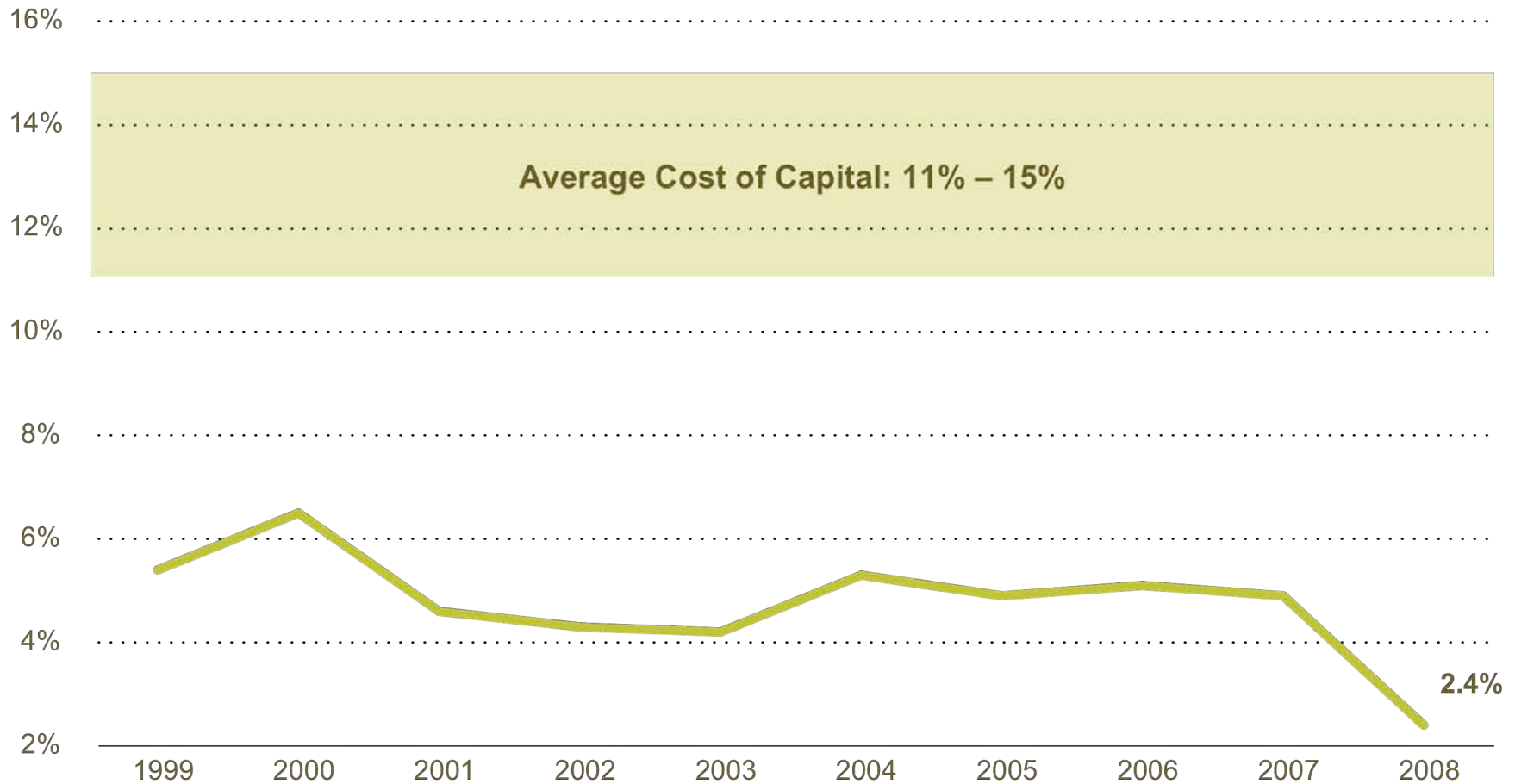


PwC 2008 Global Top 100 Review of Key Findings



- ▶ 157% decrease in net income (loss of 8B in 2008 vs profit of 14B in 2007)
- ▶ ROCE decreased to 2.4% from 4.9% in 2007
- ▶ 80 out of 100 companies generated ROCE of < 7%.
- ▶ Only 5 companies recorded ROCE > 10%

PwC 2008 Global Top 100 Return on Capital Employed (%)



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