

# Global Forest and Paper Industry Net Earnings Summary

Period ended September 30, 2011

*This Net Earnings Summary is prepared by PwC based on financial statements issued by the noted companies. Canadian dollars are used for Canadian companies. Other currencies are used in other regions as noted. All comparative figures are with the three months ended September 30, 2010 with the exception of Japan, for which six months are presented for both 2011 and 2010.*

## Contacts

### Forest, Paper & Packaging Practice

#### Bruce McIntyre

Vancouver, BC  
604 806 7595

#### Ray Luchkow

Edmonton, AB  
780 441 6846

#### Frédéric Bouchard

Montréal, QC  
514 205 5079

## Canada

The majority of Canadian forest and paper products companies posted lower earnings for the third quarter of 2011 compared to the same period in 2010. The results reflect weak lumber demand, sagging pulp prices and a strong Canadian dollar.

The struggling US economy and housing market, in addition to slowing demand from China, negatively impacted the lumber and solid wood segment of the industry. Northern Bleached Softwood Kraft pulp (NSBK) prices remained strong in the third quarter, however pulp prices continue to come off the record high levels reached earlier this year. The relative weakening of the Canadian dollar to the US dollar in the quarter provided some support to earnings.

Forest and paper companies in Western Canada reported net losses totalling \$234.2 million for the quarter, significantly below the \$178.8 million profit reported for the same period in 2010. Catalyst Paper Corporation reported a net loss for the quarter of \$205.7 million, which includes \$150.6 million of impairment costs incurred relating to its Snowflake Mill in Arizona.

Eastern Canadian based companies posted net earnings of \$31.9 million compared to net losses of \$650.3 million for the third quarter of 2010. Domtar Corporation reported net earnings of \$114.7 million, down from \$198.5 million in the third quarter of 2010. AbitibiBowater's 2010 results include \$759.6 million (US\$731 million) in charges as a result of their recent restructuring.

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

Company	2011 Q3	2010 Q3 <sup>1</sup>
West Fraser	\$37.4	\$47.8
Mercer International	10.5	68.9
Western Forest Products	7.6	2.1
Interfor	0.0	1.4
Conifex	(2.2)	(2.9)
Canfor	(9.6)	37.2
Millar Western	(13.0)	8.2
Ainsworth	(59.2)	10.5
Catalyst Paper	(205.7)	5.6
<b>Total CAD</b>	<b>(\$234.2)</b>	<b>\$178.8</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 Q3	2010 Q3 <sup>1</sup>
Domtar	\$114.7	\$198.5
EACOM	(0.6)	(9.2)
Norbord	(1.0)	(4.2)
Tembec	(17.0)	2.0
Cascades	(23.0)	24.0
AbitibiBowater <sup>2</sup>	(41.2)	(861.4)
<b>Total CAD</b>	<b>\$31.9</b>	<b>(\$650.3)</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> AbitibiBowater announced that it will begin doing business as Resolute Forest Products as of November 7, 2011.

## United States

Ten of the largest US-based forest and paper companies reported net earnings of US \$1,407.6 million for the third quarter of 2011, down from US \$2,372.9 million in the third quarter of 2010. Comparability of results is impacted by several factors including restructuring charges and impairment/sales adjustments for International Paper (total 2011 Q3 gain of \$116 million), Kimberly-Clark's Q3 2011 pulp and tissue restructuring costs (\$95 million), a reversal of deferred taxes by Weyerhaeuser in 2010 (\$1.043 billion), a 2010 loss from discontinued operations (\$124 million) for MeadWestvaco, a 2010 tax credit reversal recorded for Packaging Corporation of America Co., and a \$96.3 million goodwill impairment charge recorded by Graphic Packaging in 2011. On September 6, 2011, International Paper announced it had reached a deal to acquire Temple Inland Inc. for \$32 per share in cash.

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

Company	2011 Q3	2010 Q3
International Paper	\$515.0	\$399.0
Kimberly-Clark	458.0	489.0
Weyerhaeuser	157.0	1,116.0
MeadWestvaco	118.0	(14.0)
Rock-Tenn	84.8	92.4
Sonoco	77.2	59.2
Packaging Corp of America	41.8	93.3
Temple-Inland	7.0	126.0
Boise Cascade Holdings LLC	(3.7)	(5.6)
Graphic Packaging	(47.5)	17.6
<b>Total USD</b>	<b>\$1,407.6</b>	<b>\$2,372.9</b>

## Europe

Ten of the largest European based forest and paper companies reported overall losses of €122.5 million for the third quarter of 2011, down from €743.9 million in profit for the third quarter of 2010. Norske Skog reported a net loss of €236.9 million in the third quarter of 2011, which included impairment charges of € 241.3 million. UPM-Kymmene's reported loss of €109.0 includes €290 million in restructuring charges. On August 1, 2011, UPM-Kymmene completed the acquisition of Myllykoski Corporation and Rhein Papier GmbH.

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

Company	2011 Q3	2010 Q3
Svenska Cellulosa (SCA)	€140.3	€147.1
Smurfit Kappa	55.0	41.0
Portucel	46.5	63.9
Holmen	37.5	23.0
Mayr-Melnhof Karton	28.0	34.3
Metsäliitto	(4.0)	89.0
Sequana Capital	(30.0)	4.0
Stora Enso	(49.9)	194.3
UPM-Kymmene	(109.0)	178.0
Norske Skog	(236.9)	(30.7)
<b>Total EUR</b>	<b>(€122.5)</b>	<b>€7443.9</b>

## Rest of the World: Japan and Emerging Markets

Five of the largest forest and paper companies in Japan posted net earnings of US \$2.3 million for the six months ended September 30, 2011, down from US \$634.0 million for the same period in 2010. Results from a number of companies operating in Japan continue to reflect the disruption to operations from the March 2011 earthquake and tsunami. Nippon Paper's September 30, 2011 loss of US \$494.0 million includes US \$367.9 million extraordinary losses related to the direct impact of the disaster on one of its mills.

Four of the largest forest and paper companies in emerging markets reported net losses of US \$618.0 million in the third quarter of 2011, compared to net earnings of US \$710.8 million in the third quarter of 2010. Included in Fibria Celulose's reported loss of US \$681.5 million is a foreign exchange loss of US \$792.9 million, which is attributed to the appreciation of the USD against the Brazilian Real and its impact on Fibria's US dollar denominated debt.

### Net Earnings (Loss): Japan<sup>1</sup> US \$ millions

Company	Six months ended	
	Sept. 30, 2011	Sept. 30, 2010
Unicharm Corporation	\$183.7	\$278.3
Oji Paper	151.3	150.6
Rengo	90.2	116.3
Sumitomo Forestry	71.1	17.3
Nippon Paper	(494.0)	71.5
<b>Total USD</b>	<b>\$2.3</b>	<b>\$634.0</b>

<sup>1</sup> Net Earnings reported for the six month period ended September 30, (April 1 - September 30)

### Net Earnings (Loss): Emerging Markets US \$ millions

Company	2011 Q3	2010 Q3
Empresas CMPC	\$109.2	\$254.4
Arauco	81.3	199.1
Sappi	(127.0)	84.0
Fibria Celulose (Brazil)	(681.5)	173.3
<b>Total USD</b>	<b>(\$618.0)</b>	<b>\$710.8</b>

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.