



December 2005

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

Tissue Products Technology Corporation (TPTC) announced plans to build seven new tissue machines with construction of the first machine beginning in the spring of 2006. Four machines will be located in Wisconsin (two at Eco Fibre Inc., De Pere, Wis., a \$150 million capital investment, and two machines will be built at Oconto Falls Tissue Inc., Oconto Falls, Wis.). The three other machines will be in a Western state to be announced at a later date.

Norske Skog intends to invest \$103 million in its Saugbrugs mill in Halden, south of Oslo. The TMP plant is to be substantially developed to meet new quality standards. In addition, the Halden mill will be converted to deliver reels with a width of no less than 4.3 metres and a weight of seven tonnes.

Lee & Man Paper Manufacturing, China plans to spend \$107 million on another new machine at its plant in Changshu city, Jiangsu province. Start-up of the 450,000 t/a recycled containerboard unit, PM8 is scheduled for December 2006.

SCA is to invest approximately \$61.5 million on a new tissue machine and expanded converting capacity in Valls, Spain. The new machine is scheduled to go into operation in April 2007 and will have an output of approximately 60,000 t/a.

Siam Cement Public Company Limited (SCC) announced that it has approved a \$161 million investment to expand the production capacity of Printing and Writing Paper (P&W) by 160,000 tons at the Khon Kaen facility, with an expected start-up by the end of 2007.

Implementation Phase

Stora Enso, Sweden, has brought a new supercalendered (SC) paper machine online, PM12, at its Kvarnsveden mill in Sweden. The 420,000 t/a SC-A and SC-A+ unit came on stream last month.

Stora Enso, Sweden, is forging ahead with its Energy 2005 initiative at its Skoghall mill. The \$248 million scheme is set to secure the plant's future energy supplies and enable cost-effective production with low emissions.

Lwarcel, Brazil commissioned a new 245,000 t/a bleached eucalyptus kraft pulp line at its mill in Lencois Paulista, 280 km northwest of Sao Paulo, at the end of October.

Atlantic Packaging plans to start-up a new 180,000 t/a recycled containerboard machine in April 2006 at its mill in Scarborough, Ontario.

Nine Dragons Paper Industries has started trial runs on a new 200,000 t/a recycled fluting machine at its Dongguan mill in Guangdong province, China.

MERGERS, ACQUISITIONS & PLANT CLOSURES

UPM announced a 3-month shutdown at its Miramichi mill in New Brunswick, effective Feb. 1st, 2006. The resulting lay-off will affect a number of employees at the paper mill and groundwood mill.

Cascades announced a restructuring of its folding carton facility in Montreal. One of two production lines will be shut and output on the remaining one will be maximized. The company expects this reorganization will cost \$2 million CAN, which will in turn be offset by annual savings of approximately \$3.5 million. Also one of the four PMs at the company's facility in Saint-Jerôme will be idled, eliminating 8,000 short t/a, the equivalent of 5% of the plant's annual capacity.

Abitibi-Consolidated announced the permanent closure of its newsprint mills at Stephenville, NF., and Kenora, Ont., bringing to an end discussions with provincial governments, trades unions and other stakeholders that might have saved the mills from closure. The company had repeatedly warned that time was running out for unions to agree on contract concessions that would have kept the 194,000 t/a PM1 at Stephenville and 150,000 t/a PM10 at Kenora operating.



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Western Forest Products announced the closure of its pulp mill located in Squamish, British Columbia, effective March 2006. The mill, which has an annual capacity of 275,000 t/a of NBSK pulp, will continue production until January 2006, after which time shutdown activities would commence. The closure affects 323 employees in various locations.

Weyerhaeuser Inc., will shut down one of two paper machines at the Dryden Pulp and Paper mill in Ontario in April 2006, removing 155,000 tons of uncoated freesheet capacity. Dryden will continue producing about 332,000 tons of white paper. The closure affects approximately 80 of the mill's 795 employees.

Koch Industries, Inc. announced the successful completion of the previously announced tender offer by its indirect wholly-owned subsidiary, Koch Forest Products, Inc., for all outstanding shares of Georgia-Pacific Corporation at a price of \$48 net per share in cash. The successful completion of the \$21 billion acquisition was completed December 23rd, 2005.

Meadow Lake, Saskatchewan has applied for bankruptcy protection from creditors. The mill is a 50:50 venture between Millar Western and the provincial government's investment agency, Investment Saskatchewan. Constructed in 1992, the mill has capacity for 325,000 t/a of aspen-based BCTMP and employs about 170 workers in the mill and 245 in woodlands.

Stora Enso's 570,000 t/a newsprint and supercalendered paper mill at Port Hawkesbury, Nova Scotia, voted to reject what the company called its "last, best and final" contract offer. The mill closed for a Christmas shutdown Dec. 24, 2005 and is scheduled to resume production on Jan. 3, 2006. Stora Enso executives plan about 100 layoffs, and say up to three times as many jobs could go in the event of a strike. A restart of the mill's elderly newsprint machine, the 195,000 t/a PM1 would be a "business decision" that would be taken nearer that time.

PRODUCT PRICE SUMMARY (US\$)

Product	Units	1995	2001	2002	2003	2004	2005E	2006E	Normalized	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	547	462	525	617	615	655	630	600	Falling
BEKP (Europe)	m. ton	867	485	458	502	526	587	563	576	590	Falling
Newsprint	m. ton	670	585	465	503	547	610	650	605	635	Flat
Uncoated Freesheet	sh.ton	990	715	692	628	676	725	770	700	705	Flat
Light Weight Coated	sh.ton	1,226	1,017	867	829	859	995	1,060	1,015	1,010	Flat
Linerboard	sh.ton	510	444	427	421	468	475	490	450	475	Flat
Lumber #2&Btr.	Mbf	250	286	270	278	394	350	305	310	330	Falling
OSB	Msf	245	159	160	380	369	305	225	205	300	Rising
Canadian Dollar	US\$	0.73	0.65	0.64	0.72	0.77	0.82	0.82	0.79	0.86	Flat

E= estimated