

Global Forest and Paper Industry Net Earnings Summary

Three months ended June 30, 2017

This Net Earnings Summary has been prepared by PwC based on financial statements and other sources issued by the selected companies. Earnings are reported in regional currencies, as noted.

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Canada

The largest Western and Eastern Canadian based forest products companies reported overall higher net earnings in the second quarter of 2017 compared to the second quarter of 2016. The reported seasonally adjusted US housing starts for June 2017 were 1.217 million units¹, up 2.4% from the 1.189 million annualized starts reported in March 2017 and up 1.8% from the 1.195 million units reported in June 2016.

The average price of Western SPF 2x4s in Q2 was US \$386 per thousand board feet (mfbm), up from \$351 per mfbm in Q1 2017 and \$311 per mfbm in Q2 2016. The average price of Southern Pine 2x4s in Q2 was US \$452 per mfbm, lower than the Q1 2017 price of US \$460 mfbm but higher than the Q2 2016 average price of US \$403. The Q2 average price of OSB (7/16", N.C.) was US \$330 per mfbm, up from US \$295 mfbm in Q1 2017 and US \$267 per mfbm Q2 2016 average. The Q2 average price of Plywood (Southern 3/8") was US \$291 per mfbm, unchanged from US \$291 mfbm in Q1 2017, but down from the Q2 2016 average of US \$309 per mfbm.

Average softwood pulp (NBSK, Europe) prices were US \$872/tonne, up from US \$828/tonne in Q1 2017. Hardwood pulp (BEK, Europe) average prices were US \$820, up from US \$709/tonne in Q1 2017 and \$682/tonne in Q2 2016.

The Canadian/US dollar exchange rate has continued to stabilize. The recent currency average in Q2 was \$0.76, unchanged from Q1 of 2017 and lower than the Q2 2016 average of \$0.78.

Net Earnings (Loss): Western Canada \$ millions

Company	Q2 2017	Q1 2017	Q2 2016
West Fraser	\$146.0	\$123.0	\$98.0
Canfor	90.9	77.5	51.0
Western Forest Products	25.6	16.2	23.8
Interfor	24.5	19.7	23.2
Conifex	4.2	(1.4)	35.2
Fortress Paper Ltd	(2.1)	(2.7)	6.9
Mercer International	(2.8)	12.8	(5.4)
Total CAD	\$286.3	\$245.1	\$232.7

Western Canadian based companies posted net earnings of \$286.3 million in the second quarter of 2017, compared to net earnings of \$245.1 million in the first quarter of 2017 and net earnings of \$232.7 million in the second quarter of 2016. West Fraser reported quarterly earnings of \$146.0 million, compared to \$123.0 million in the first quarter of 2017 and \$98.0 million in the second quarter of 2016. West Fraser reported higher earnings in Q2 resulting from higher pricing for lumber and panels as well as stronger pulp prices.

Eastern Canadian based companies posted net earnings of \$370.4 million in the second quarter of 2017, compared to net earnings of \$187.6 million in the first quarter of 2017 and net earnings of \$47.6 million in the second quarter of 2016. Cascades reported quarterly earnings of \$323.0 million, compared to \$161.0 million in the first quarter of 2017 and \$36.0 million in the second quarter of 2016. The second quarter included a revaluation gain on investments of \$219 million on top of \$145 million reported in the first quarter of 2017.

Net Earnings (Loss): Eastern Canada \$ millions

Company	Q2 2017	Q1 2017	Q2 2016
Cascades	\$323.0	\$161.0	\$36.0
Norbord	128.0	64.8	56.7
Tembec	17.0	24.0	9.0
Resolute Forest Products	(97.7)	(62.2)	(54.1)
Total CAD	\$370.4	\$187.6	\$47.6

United States

Nine of the largest US-based forest and paper companies reported net earnings of US \$1.26 billion in the second quarter of 2017, compared to earnings of US \$1.28 billion in the first quarter of 2017 and earnings of US \$1.17 billion in the second quarter of 2016.

WestRock net earnings of US \$326.6 million in the second quarter of 2017, compared to earnings of US \$98.2 million in the first quarter of 2017 and earnings of US \$93.7 million in the second quarter of 2016. Positive product price and mix trends as well as an approximately \$94 million contribution from productivity initiatives resulted in a significant increase in WestRock's Q2 results.

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

Company	Q2 2017	Q1 2017	Q2 2016
Kimberly-Clark	\$540.0	\$575.0	\$578.0
WestRock	326.6	98.2	93.7
Packaging Corp. of America	143.2	117.4	115.9
International Paper	80.0	209.0	40.0
Sonoco	43.7	54.3	56.7
Graphic Packaging	42.0	37.0	77.8
Domtar	38.0	20.0	18.0
Weyerhaeuser	24.0	157.0	168.0
Boise Cascade Co	22.2	10.0	19.2
Total US	\$1,259.7	\$1,277	\$1,167.3

Europe

Ten of the largest European based forest and paper companies reported net earnings of € 646.4 million for the second quarter of 2017, compared to earnings of € 832.6 million in the first quarter of 2017 and €656.4 million reported in the second quarter of 2016.

Net Earnings (Loss): Europe € millions

Company	Q2 2017	Q1 2017	Q2 2016
UPM-Kymmene	€ 205.0	€ 240.0	€ 198.0
Stora Enso	143.0	107.0	118.0
Smurfit Kappa	102.0	73.0	125.0
Metsä Group	86.1	106.7	75.7
The Navigator Company	61.3	34.8	40.7
Holmen	40.7	51.0	39.2
Mayr-Melnhof Group	35.0	36.8	41.1
Svenska Cellulosa (SCA)	29.8	212.4	8.5
Sequana SA	1.4	1.4	(14.4)
Norske Skog	(57.9)	(30.5)	24.6
Total EUR	€ 646.4	€ 832.6	€ 656.4

Rest of the world

Japan and Emerging Markets

Six of the largest forest and paper companies in Japan posted net earnings of US \$300.0 million in the second quarter of 2017, compared to earnings of US \$578.8 million in the first quarter of 2017 and US \$231.4 million in the second quarter of 2016. Unicharm Corporation reported earnings of US \$130.7 million in the second quarter of 2017, compared to earnings of US \$113.9 million in the first quarter of 2017 and US \$98.3 million in the second quarter of 2016.

In the Emerging Markets regions, five of the largest forest and paper companies reported net earnings of US \$309.3 million in the second quarter of 2017, compared to losses of US \$45.3 million in the first quarter of 2017 and earnings of US \$57.5 million in the second quarter of 2016. Chile based Arauco reported net earnings of US \$84.1 million compared to a net loss of \$45.3 million in the first quarter of 2017. Increased pulp, wood products and log sales in addition to an 11% increase in the average price of pulp increased revenue to Arauco in the second quarter.

Net Earnings (Loss): Japan US\$ millions

Company	Q2 2017	Q1 2017	Q2 2016
Unicharm Corporation	\$130.7	\$113.9	\$98.3
Oji Holdings Corp	55.9	116.4	74.5
Nippon Paper Industries Co.	40.3	122.9	27.5
Sumitomo Forestry	34.5	188.5	(23.0)
Rengo	32.2	(6.0)	43.4
Daio Paper	6.4	43.1	10.7
Total USD	\$300.0	\$578.8	\$231.4

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

Company	Q2 2017	Q1 2017	Q2 2016
Arauco (Chile)	\$84.1	(\$45.3)	\$57.5
Fibria Celulose (Brazil)	80.1	104.7	212.4
Suzano Pulp & Paper (Brazil)	61.4	143.3	272.1
Sappi (South Africa)	58.0	\$88.0	32.0
Empresas CMPC (Chile)	25.7	(17.9)	47.0
Total USD	\$309.3	\$272.8	\$621.0

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