



North Carolina Forestry Association Annual Meeting

**Mark Wilde, Managing Director
Deutsche Bank Securities**

**October 8, 2009
Myrtle Beach, SC**



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Today's Agenda

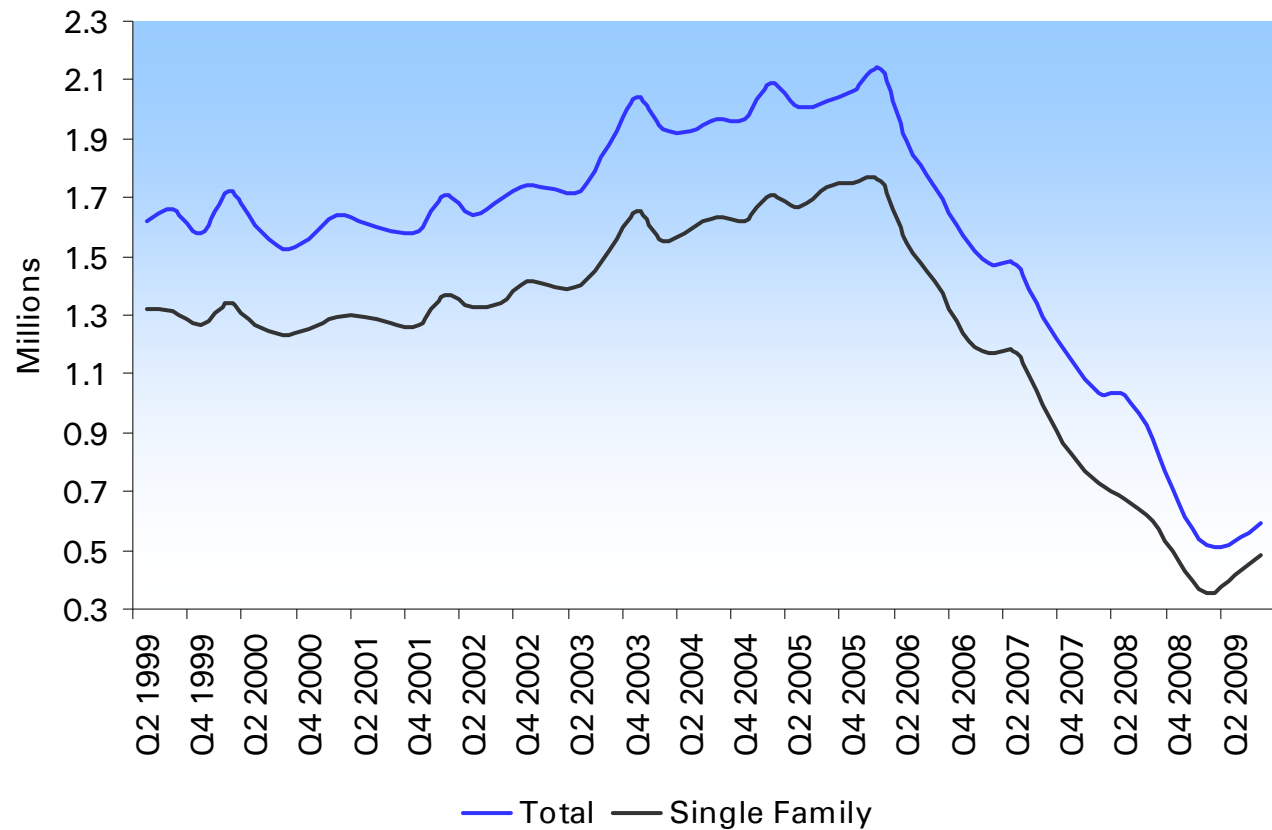
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Current Conditions: Lumber & Wood Products

**Collapse in Housing
+
New Capacity
=
“Mess”**

US Housing Starts, Seasonally Adjusted Annual Rate



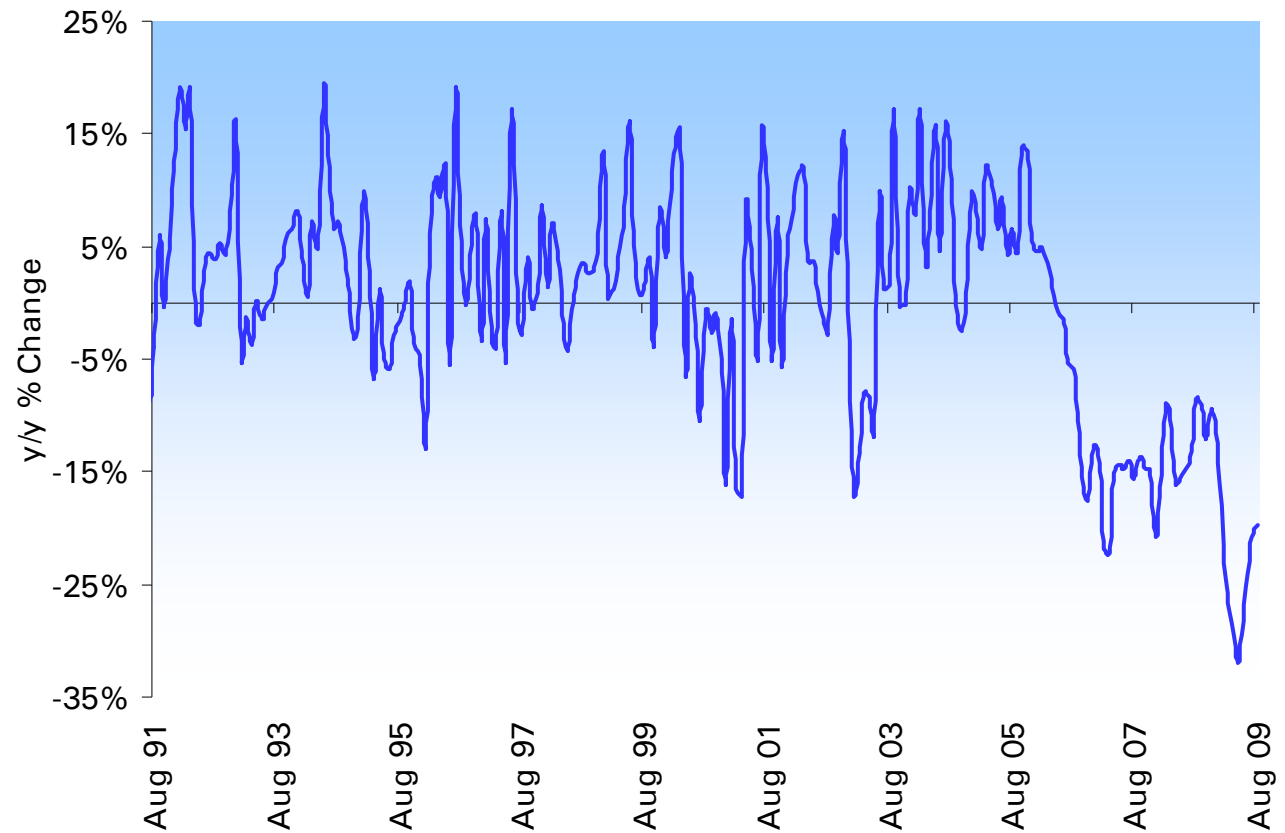
Source: RISI, Lumber Commentary



Current Conditions: Lumber & Wood Products

**Demand Has Collapsed - - -
YTD thru Aug
Consumption of
Softwood Lumber is
Down approx. 25%**

Softwood Lumber Consumption



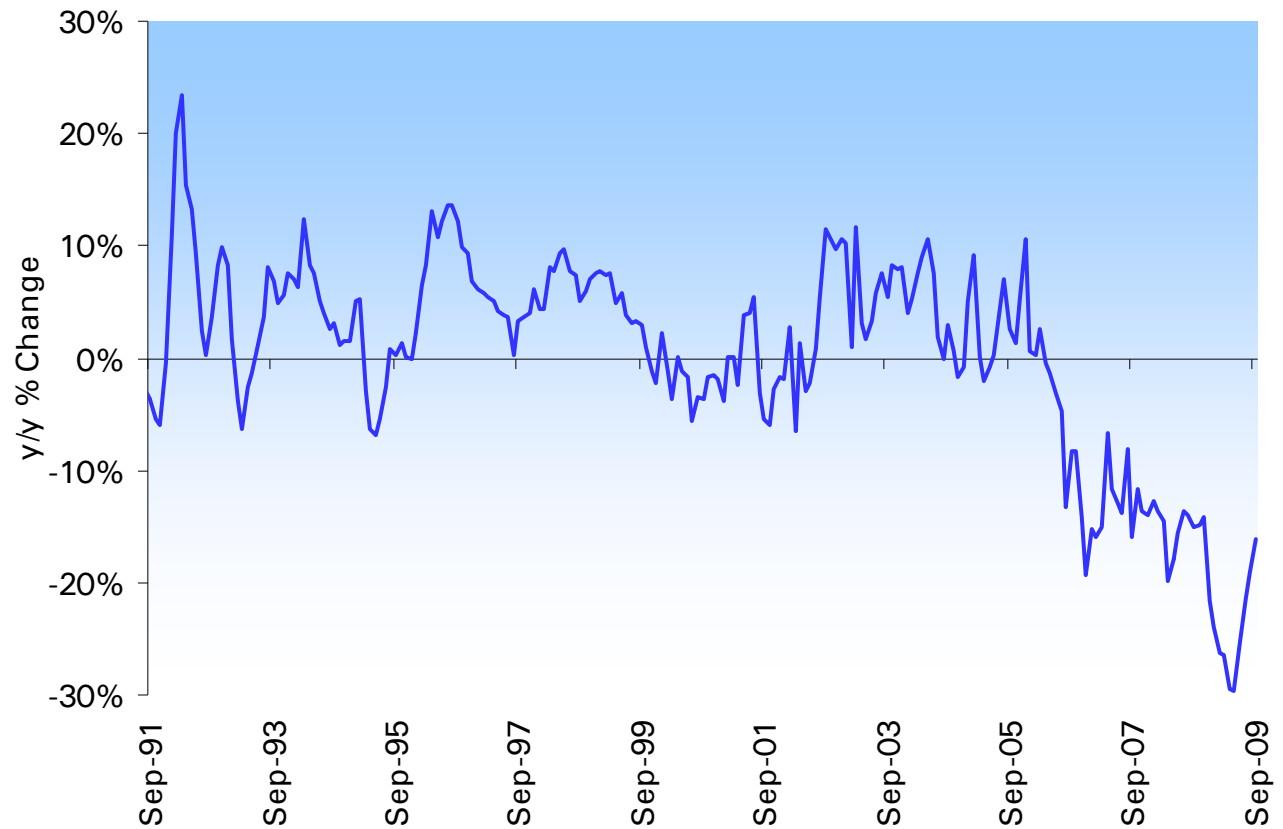
Source: RISI, Lumber & Panels Commentary



Current Conditions: Lumber & Wood Products

**Demand Has Collapsed - - -
YTD thru Sep
Consumption of
Structural Panels is
Down approx. 24%**

Structural Panels Consumption



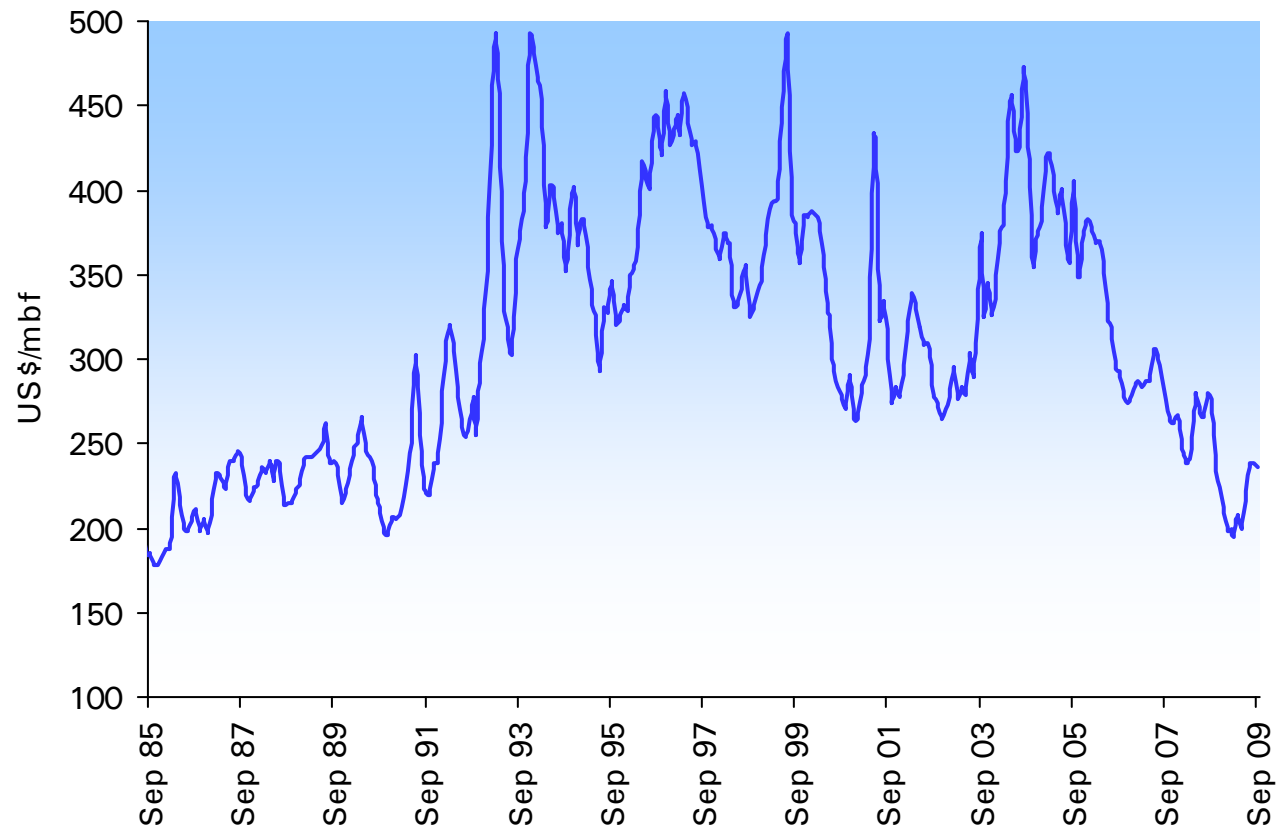
Source: RISI, Lumber & Panels Commentary



Current Conditions: Lumber & Wood Products

Even After the Run-up in Prices over the Last 3-4 Months, Framing Lumber Composite is Down 14% y/y in Sep

Framing Lumber Composite



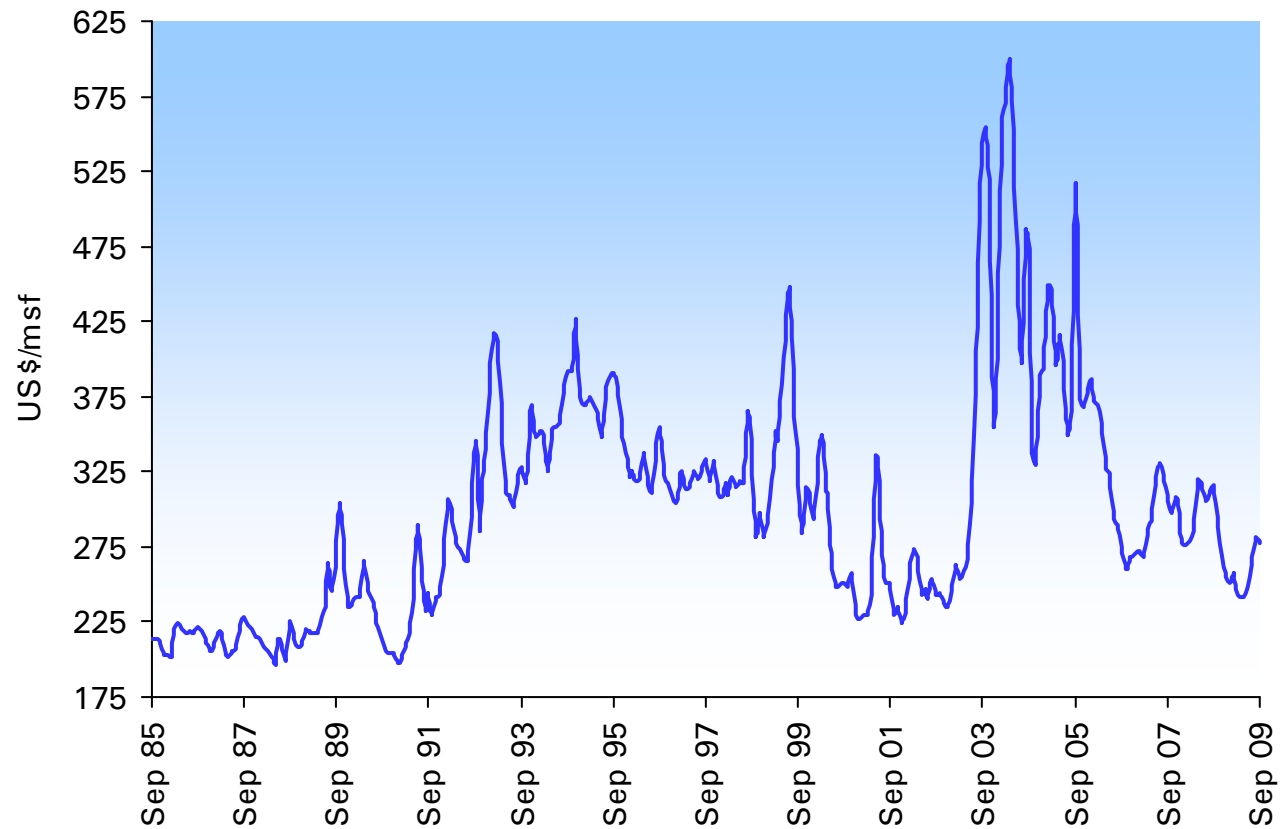
Source: Random Lengths, RISI, Lumber & Panels Commentary



Current Conditions: Lumber & Wood Products

Even After the Run-up in Prices over the Last 3-4 Months, Structural Panels Composite is Down 12% y/y in Sep

Structural Panels Composite

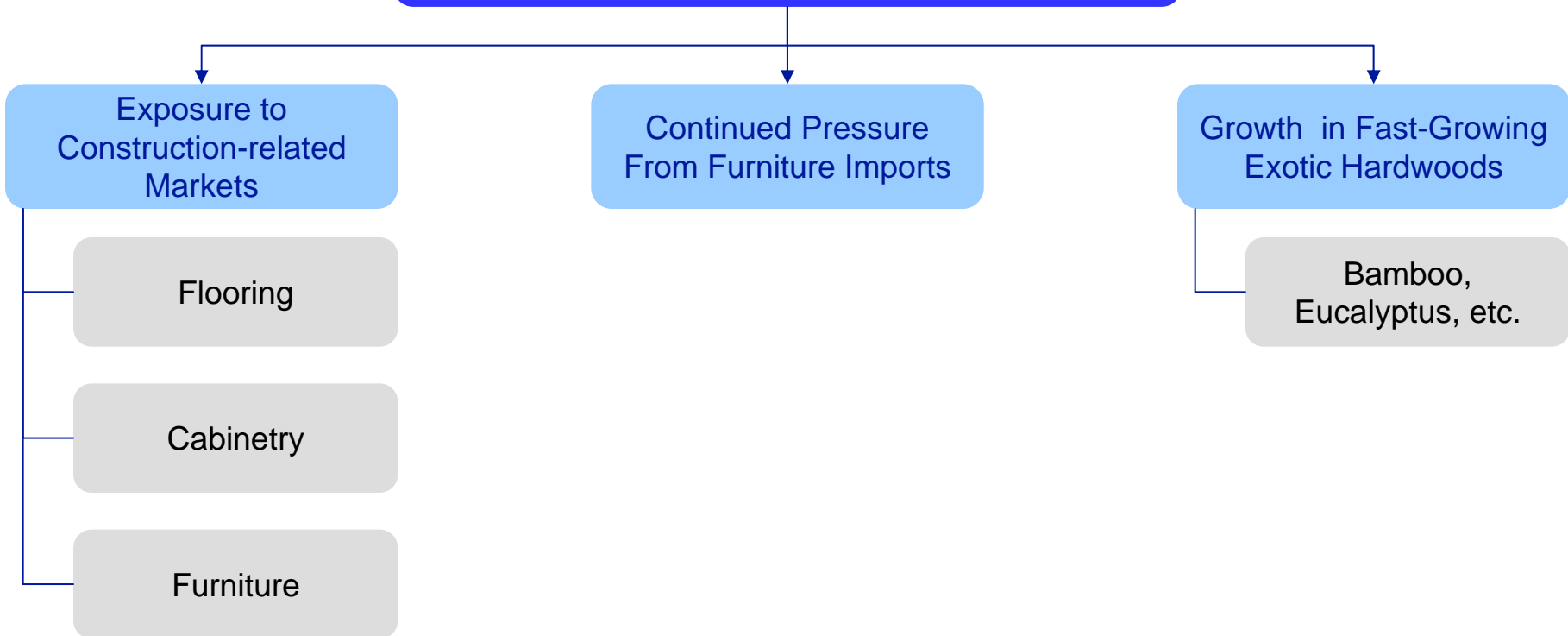


Source: Random Lengths, RISI, Lumber & Panels Commentary



Current Conditions: Lumber & Wood Products

Hardwood Lumber Industry Also Hard Hit



Today's Agenda

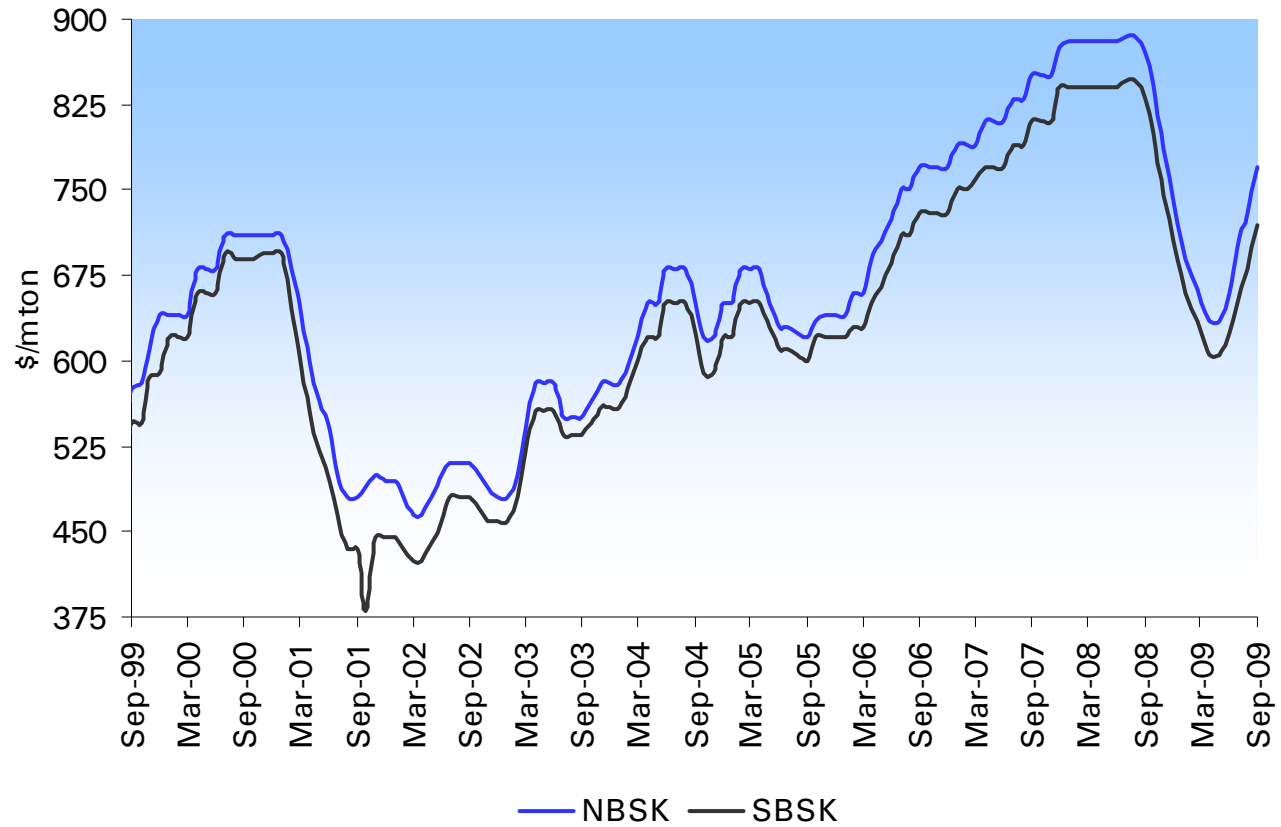
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3	What's Ahead for Timberland Owners?



Current Conditions: Market Pulp

Prices Have Rebounded Sharply Since Late Q1

NBSK and SBSK Prices



Source: RISI - Pulp & Paper Week



Today's Agenda

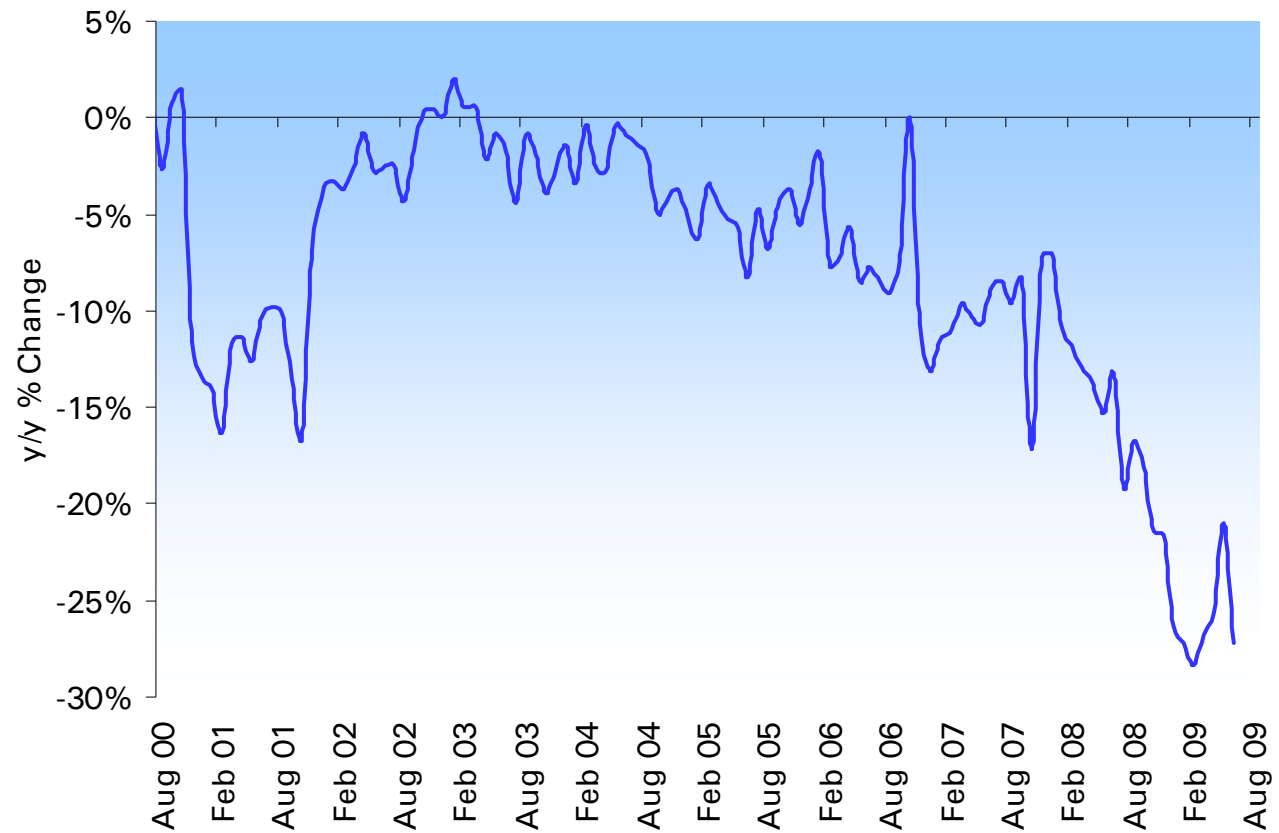
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Current Conditions: Newsprint

Severe Cyclical
Downturn Has
Accelerated Secular
Changes

Newsprint Consumption Off Sharply in US



Source: RISI – Paper Trader, PPPC

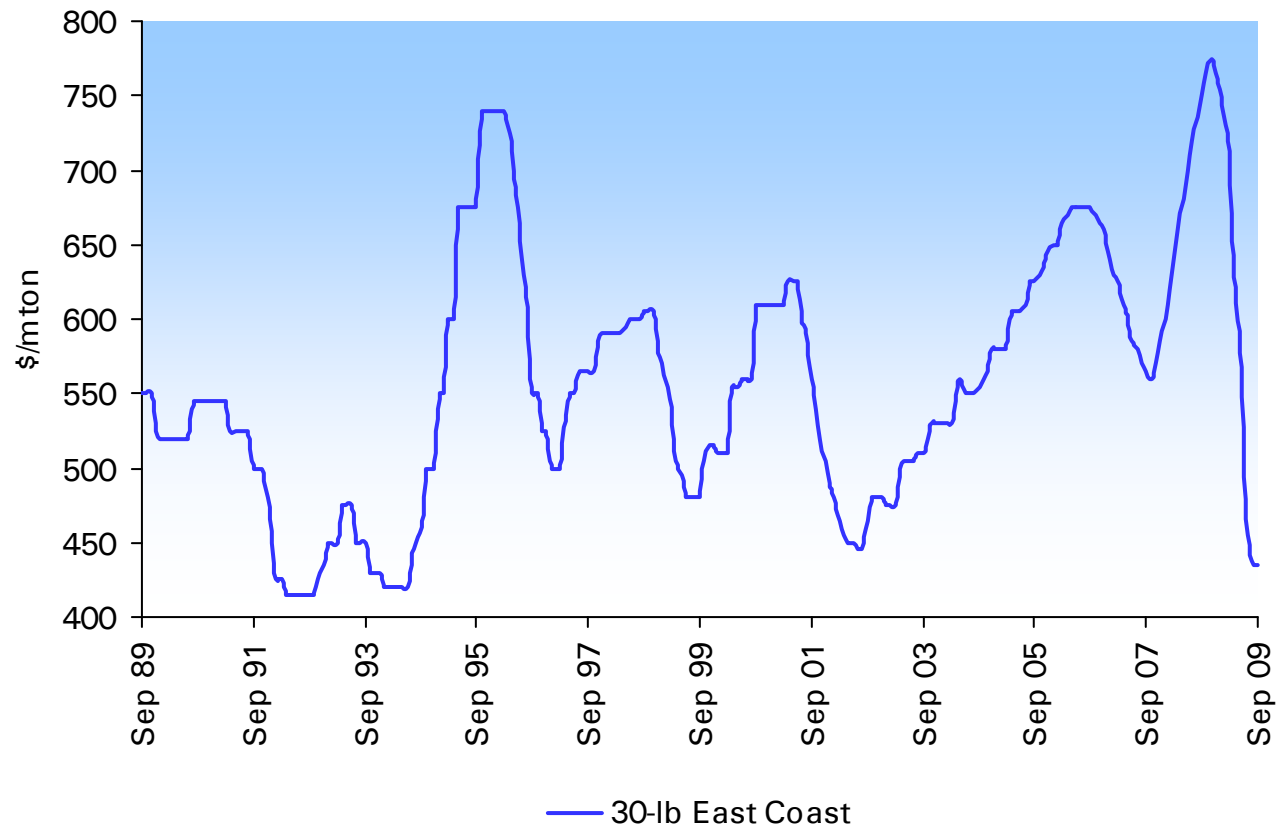


Current Conditions: Newsprint

**Newsprint Prices are
Down 42% y/y in Sep**

**AbitibiBowater
Bankruptcy Has
Contributed**

Prices Have Fallen Sharply in Recent Months



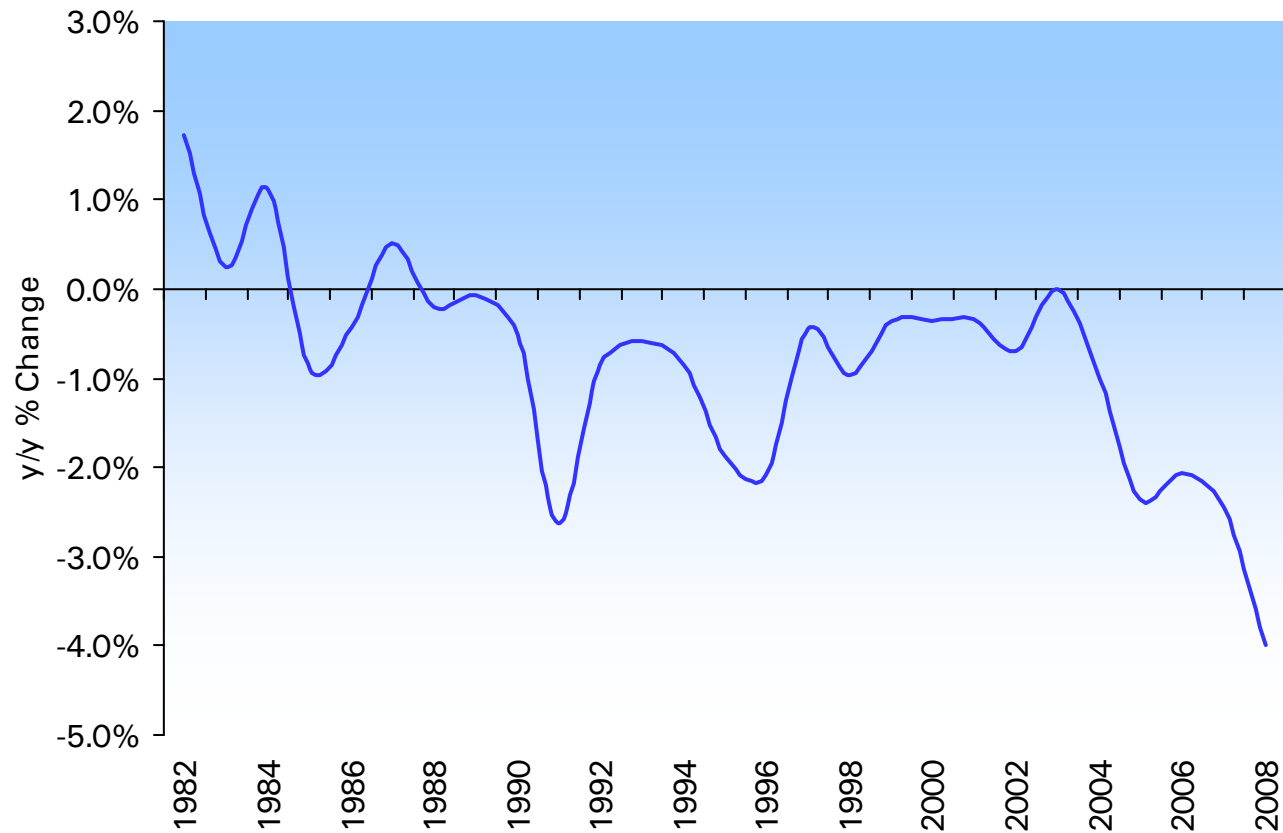
Source: RISI – Pulp & Paper Week



Current Conditions: Newsprint

Most of the Decline is Ad Lineage. But Falling Circulation is an Increasing Issue

Circulation for Major US Dailies



Source: Audit Bureau of Circulations



Current Conditions: Newsprint

**Net Result = Financial
Pressure Mounting on
Publishers**

Chicago Tribune &
Philadelphia
Newspapers both in
Bankruptcy

Dailies in Denver,
Seattle, etc
Shuttered

Boston Globe's
Future?

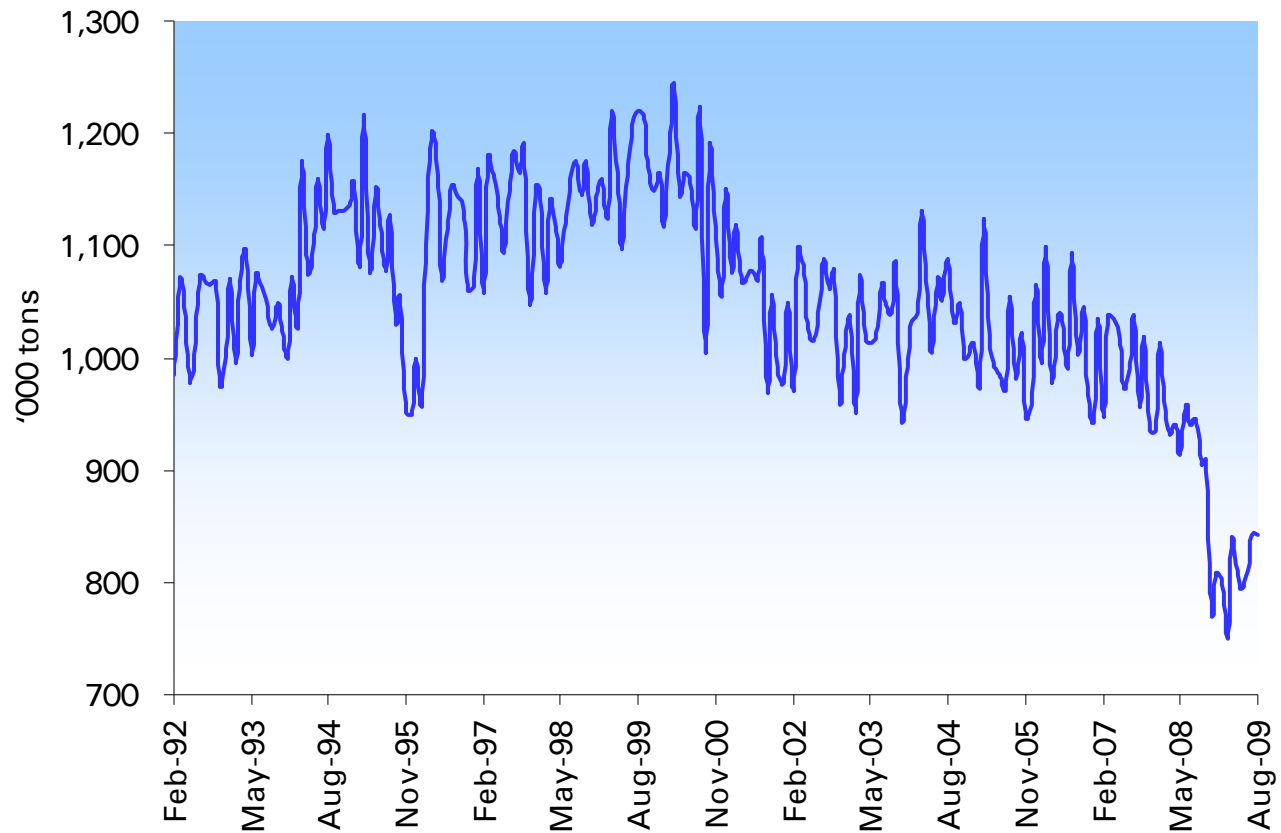
Detroit Free Press
and Detroit News go
to 4 days of Delivery



Current Conditions: Printing & Writing Papers

UFS Hit by Drop-off in Commercial Printing, Weakness in Financial Services, and Negative Secular Trend - - YTD thru Aug, Shipments are Down approx. 15%

Uncoated Free Sheet (UFS) Shipments



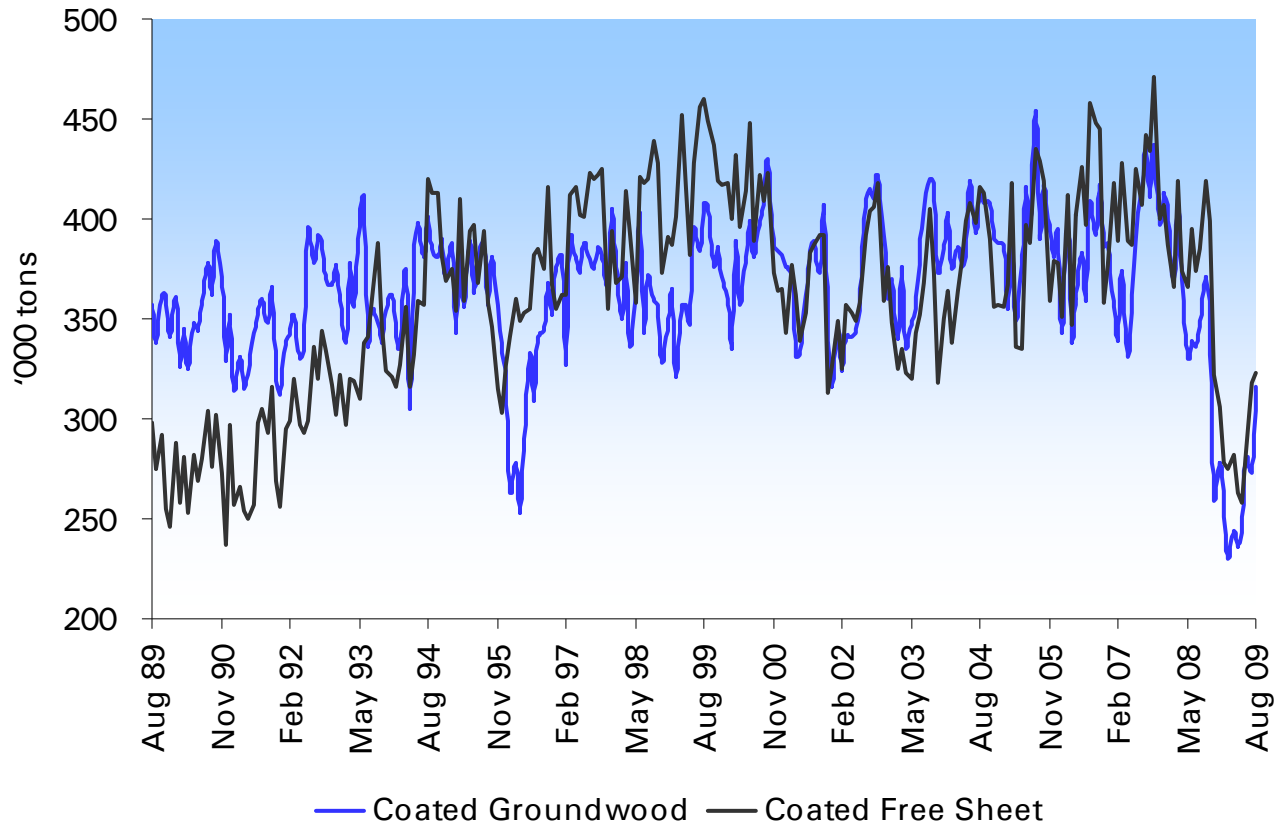
Source: AF&PA



Current Conditions: Printing & Writing Papers

CP Hit by Drop-off in Magazine and Catalog Business. YTD thru Aug, Shipments Fell 27%, Magazine Advertising Pages Fell 29.5% y/y in Q2'09

Coated Paper (CP) Shipments



➤ **Imports Have Also Been an Issue**

Source: AF&PA



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Current Conditions: Paperboard

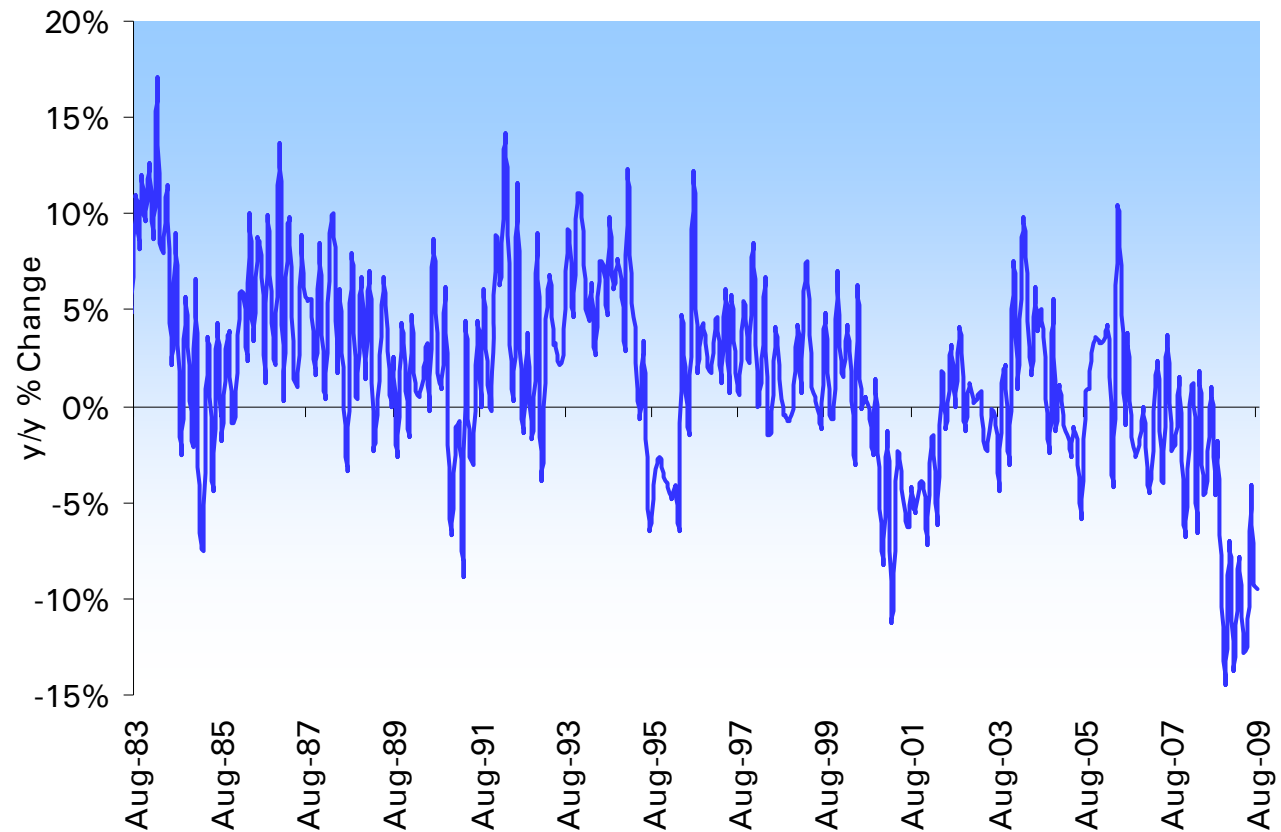
- **Volumes Have Been Very Weak; Domestic Prices Have Held Up Remarkably**
- **Domestic Containerboard Production off Sharply - - - YTD (thru Aug) Linerboard Operating Rate = 82.6% (08 YTD = 94.5%)**
- **Pricing Has Been Rougher Offshore – Especially, European Containerboard**



Current Conditions: Containerboard Market

Domestic Demand off Sharply - - YTD thru Aug, Shipments are Down approx. 10%

Box Shipments



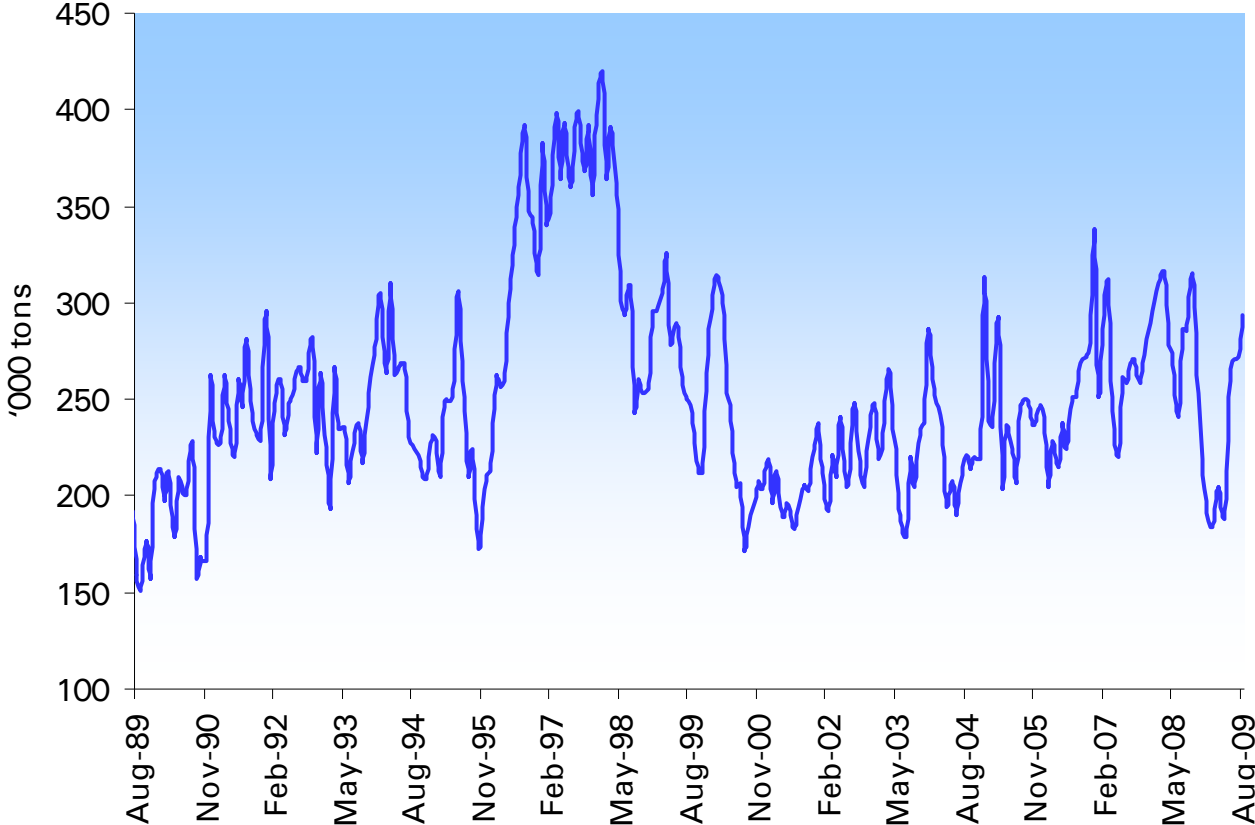
Source: Fiber Box Association



Current Conditions: Containerboard Market

Export Volumes Have also Weakened - - - YTD thru Aug, Linerboard Exports are Down approx. 20%

US Linerboard Exports



Source: AF&PA

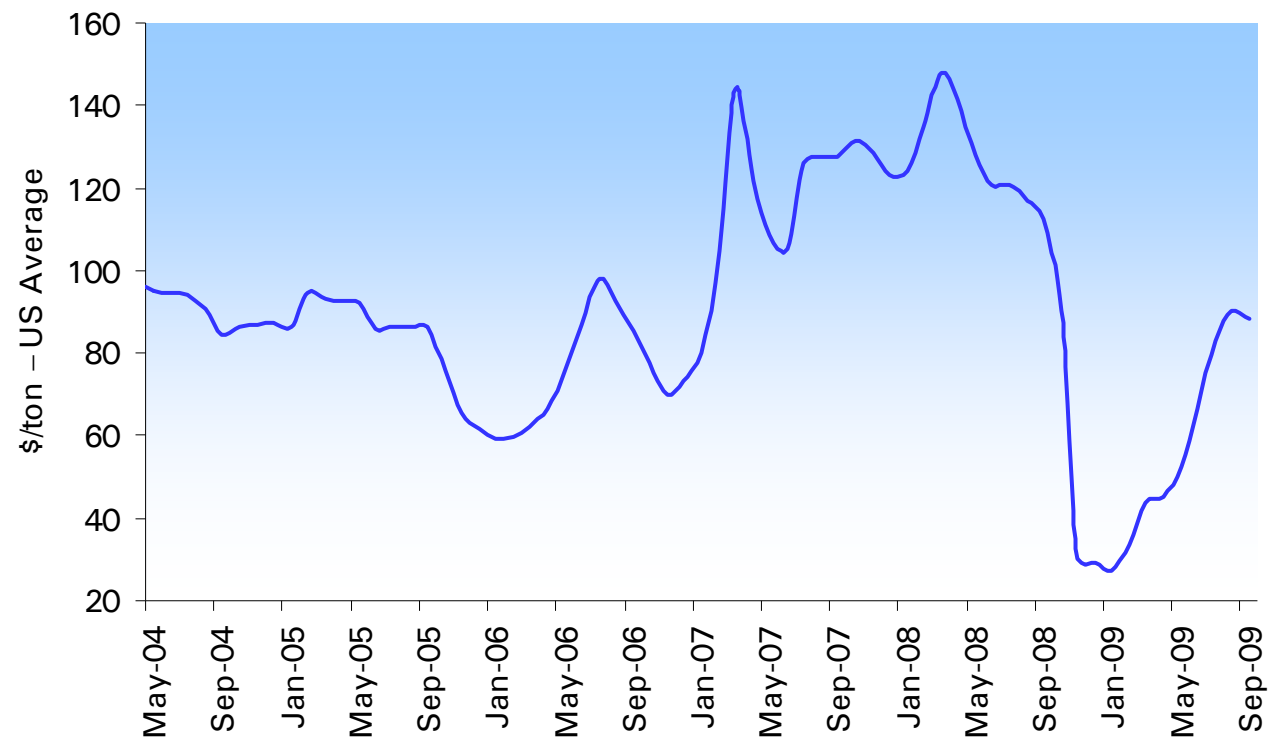


Current Conditions: Containerboard Market

Though up 59% q/q,
Waste Paper costs
are still -25% y/y,
Spot Natural Gas
Prices Currently
Below \$2.50/MMBtu

➤ But, Costs Have Fallen – Especially, for Recycled Mills

OCC Prices



➤ Energy, Chemical, and Transportation Costs Have Also Eased

Source: RISI – Pulp & Paper Week

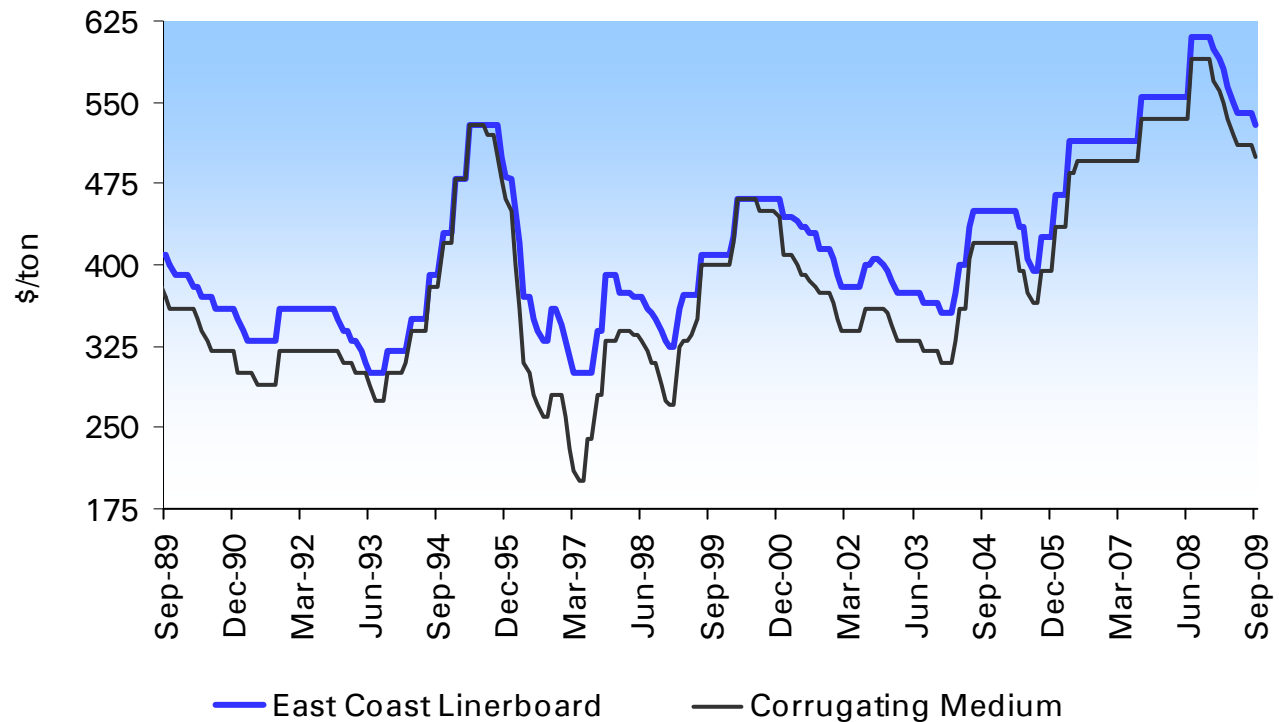


Current Conditions: Containerboard Market

Linerboard Prices are Down About 13% y/y

➤ Prices Have Eased, But Far Less Than We Would Have Expected

Linerboard and Corrugating Medium Prices

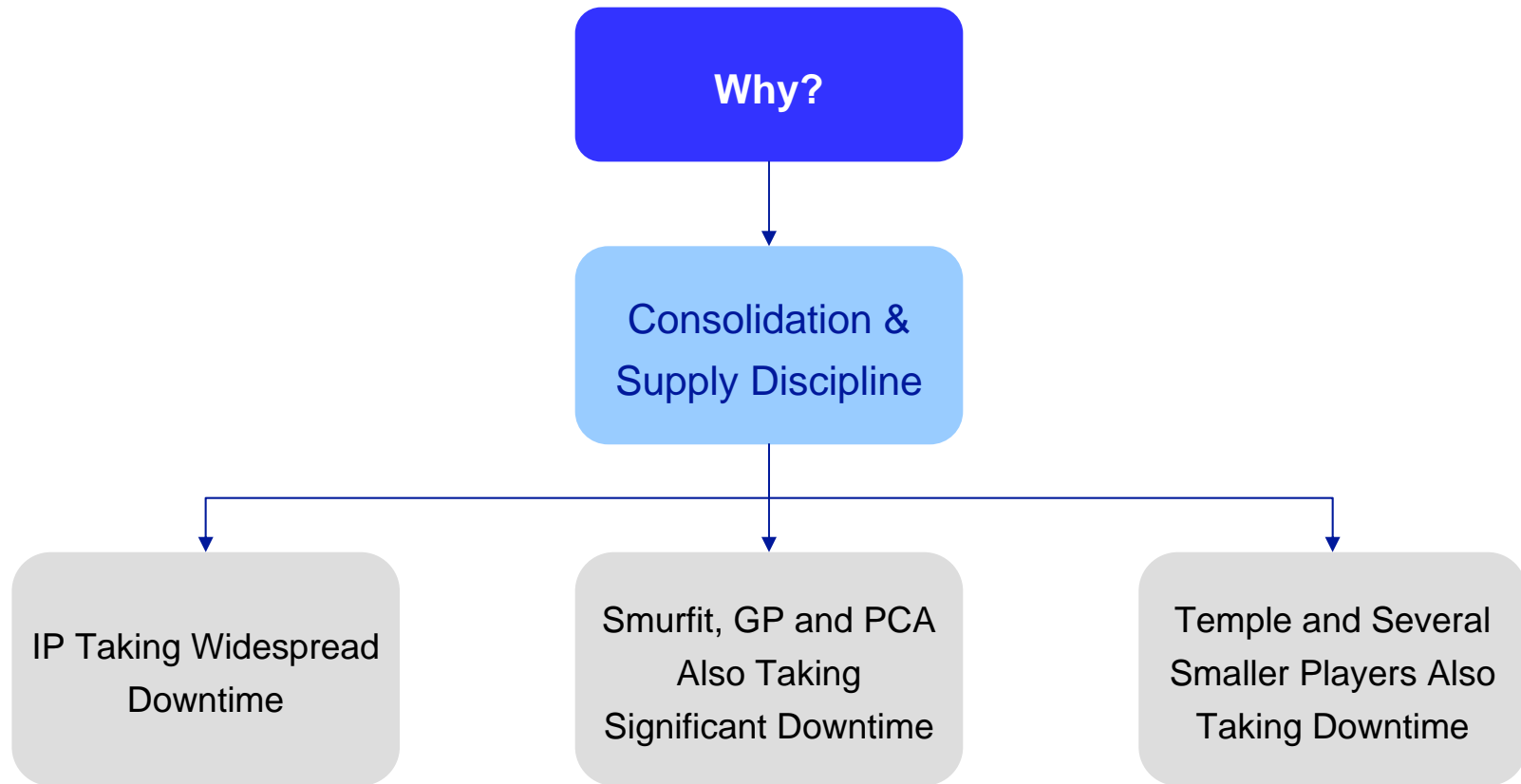


... Despite Bankruptcy Filing by #2 Producer

Source: RISI – Pulp & Paper Week



Current Conditions: Containerboard Market

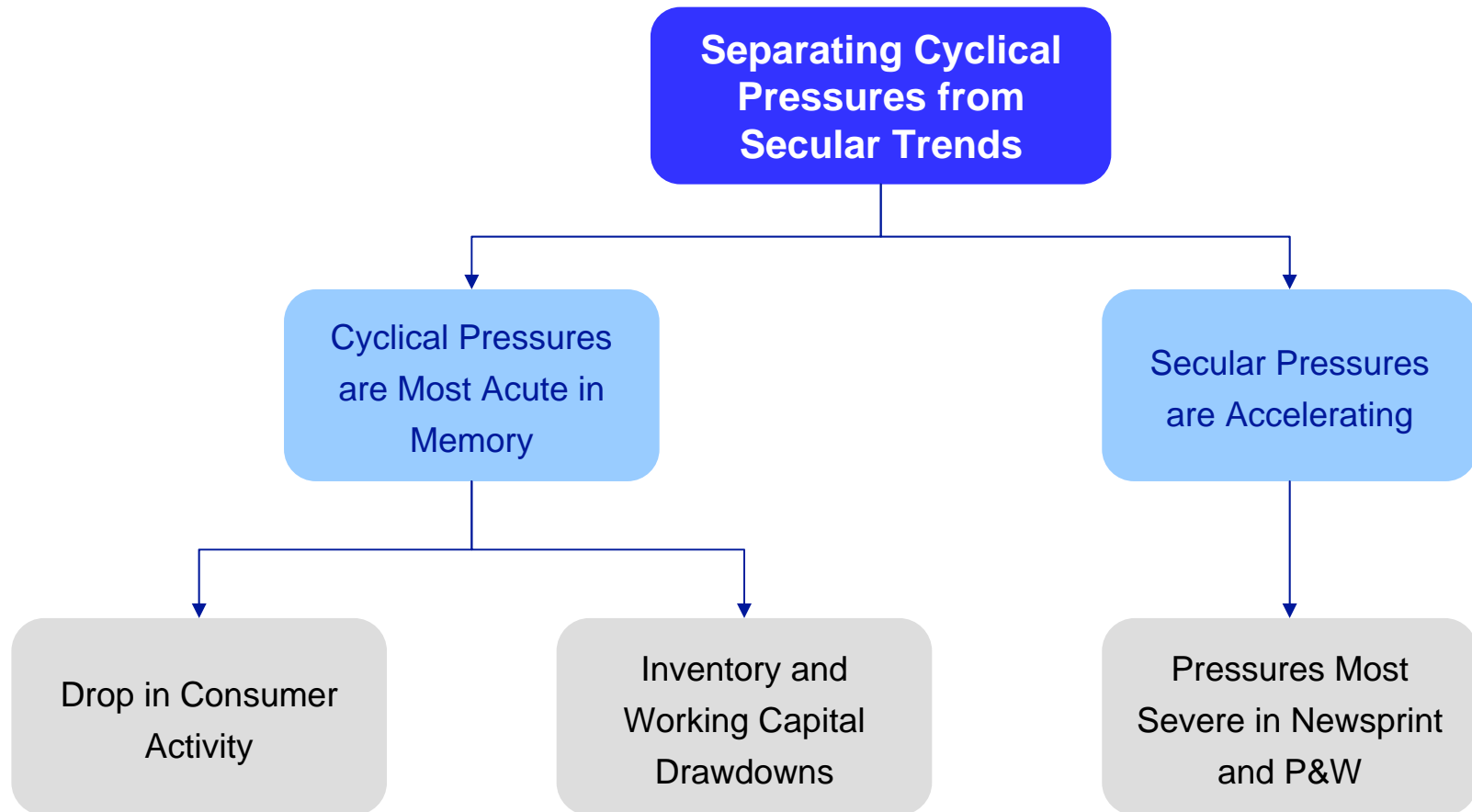


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Key Issues



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Key Issues

Will Financial Pressures Mount?

Pressures in NA is Mixed

Pressures Seem Certain to Mount in Some Offshore Markets

Healthy Margin Spreads, Black liquor Credits, Tax Shields and Limited Capex are Allowing Some Companies to Significantly Deleverage
(Examples: IP, RKT, TIN)

Pressure on Leveraged P&W Producers, Wood Products and Timberland

In Europe, Pressure on Both Public Companies and Private Players

Will we See Pressure on TIMO's to Monetize?



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Key Issues

More Consolidation Appears Inevitable

North America

In US, more moves in:

- Wood Products
- Newsprint
- Specialty Papers
- Boxboard
- Containerboard

- OSB Market is Ripe for Moves
- Smurfit-Stone as well as Smaller Containerboard Producers

Offshore

Europe

Potential Candidates:

- Stora/UPM
- SmurfitKappa/SCA Packaging
- M-real/???

Asia / Latin America

Recent Transactions:

- VCP/Aracruz
- CMPC/Fibria's Guaiba Unit
- Arauco & Stora/ENCE's Uruguayan Operations
- UPM takes over Botnia's Uruguayan Operations



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Key Issues

Supply Issues Exist
in Every Region

Resolution?

Virtually All Segments in
NA Need to Rationalize

Key Issues:

- Newsprint
- Containerboard
- Canada

Europe Needs to
Consolidate & Rationalize

Key Issues:

- Wood Fiber Supplies in Scandinavia
- High Production Cost
- Capacity Overhang in Many Key Commodities



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Key Issues

Black Liquor Credits and Beyond?

Key Focus Now Is The Energy Bill

Treatment of Silviculture and Timberland

Treatment of Energy Intensive Industries Like P&P

- Adjustment Periods
- Position vis-à-vis Foreign Competitors
- Production of Biomass-Derived Energy
 - “Green Credits”
- Biomass Crop Assistance Program



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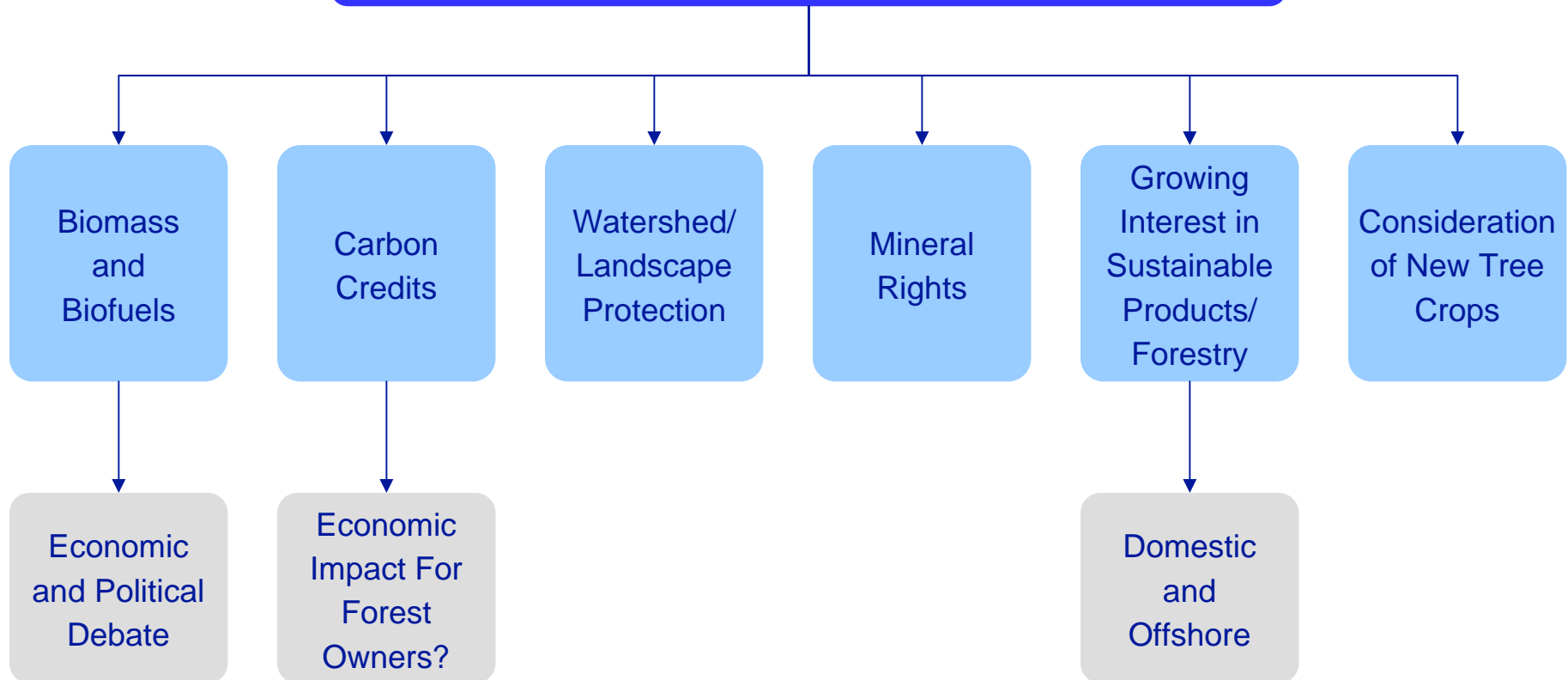
What's Ahead for Timberland Owners

- **End Markets Have Changed and Will Continue To Change**
 - Lumber and Panel Markets Shifted Toward Engineered Products
 - Reducing Demand for Large Logs
 - Traditional Hardwood Markets Have Shifted
 - Need to Rethink to Whom and How You Sell
 - Demand for Many Paper Products In Structural Decline
 - Printing and Writing Grades Are Most Vulnerable
 - Packaging Grades Most Competitive
 - Increased Competition From Offshore Producers is Certain



What's Ahead for Timberland Owners

At the Same Time, New Opportunities Emerging



What's Ahead for Timberland Owners

- **There Is Also Need to Rethink Industry Organization**
 - Industrial Forest Products Companies Are Exiting Timberland
 - Historically, They are Key Players in Lobbying and Research
 - While They Will Share Interests With You, Their Interests Will Also Differ
 - Position/Behavior of Timber REITs?
 - Many New Owners Have Shorter/Less Certain Investment Horizons
 - Examples: Harvard Endowment, Ohio Public Employees, etc.



What's Ahead for Timberland Owners

What Does It Mean???

Strong Political Advocacy is Essential

- Foreign Trade Issues
- Domestic Tax Policy
- Energy and Environmental Issues

**Support for Continued Forestry/
Forest Products Research**

- USDA
- State Universities
- Plant Genetics Firms



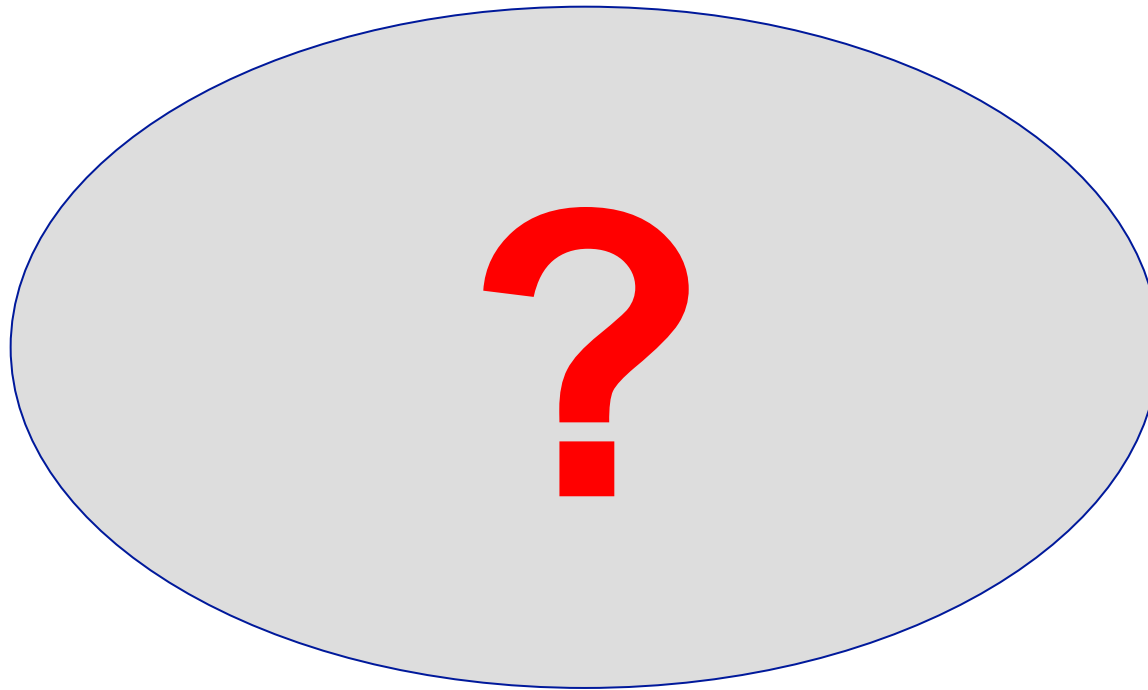
What's Ahead for Timberland Owners

➤ **Assessing Your Position?**

- Cyclical and Structural Pressures on Customers
 - Weakening US\$ Is Enhancing Global Competitive Position
- “HBU” Mania Has Eased
- Fallout From Crisis on Timberland Values and TIMO Investors Unclear
- South’s Competitive Position Within NA Industry Remains Strong
- Need to Reconsider How/Where “Value” is Created
- You Must Have a Strong Voice!
 - Trade Issues, Energy Legislation, etc.



Your Questions



Appendix 1

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Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.

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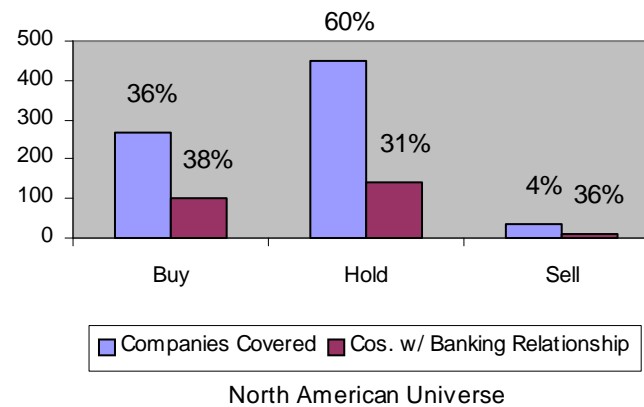
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