

Press release – For Immediate Release

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Wood costs fell for many pulpmills worldwide in the 3Q 2008, reports WRQ

Wood fiber costs, the cost component that often determines a pulp manufacturer's competitiveness, fell for the first time in many years in practically all major pulp-producing regions around the world in the 3Q/08, according to the market report Wood Resource Quarterly (WRQ). This drop was the result of two main factors: a strengthening US dollar against most major currencies combined with a reduced demand for pulpwood.

The average global softwood pulpwood price fell two percent to US\$110.43/odmt (oven-dry metric ton) in the 3Q/08. This was the biggest quarter-to-quarter decline since 2001. The average price was up 11% from 2007 and was 26% higher than two years ago. Despite the fall, the price was still the second highest ever recorded since 1988 when WRQ started tracking global wood markets. Softwood fiber costs were lower in practically all 16 regions covered by the WRQ in the 3Q (in US \$ terms). The only exceptions were in the US South, France and Norway, where prices were higher because of tight supply. With the global decline in paper demand and many pulpmills cutting back production, it is likely that wood cost will continue down in early 2009.

The Global Average Wood Fiber Price is a weighted average of delivered wood fiber prices for the pulp industry in 17 regions tracked by the publication Wood Resource Quarterly. These regions together account for 85-90% of the world's wood-based pulp production capacity.

The average hardwood wood fiber cost was up almost two dollars in the 3Q, reaching a new record-high of US\$110.71/odmt. The increase was mainly a result of higher costs in the US South and Japan since most other regions had lower costs this quarter. This was only the third time in 20 years that the global average hardwood price was higher than the softwood price. During the past five years, wood fiber costs have gone up in practically all major regions that produce hardwood pulp, including Brazil, Indonesia, Australia, the US South, Finland, Russia and Japan.

Global pulpwood and sawlog market updates are included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 20 countries, tracks wood prices in most regions around the world and also includes regular updates of international pulp, lumber, timber and biomass markets.

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