February 03, 2006

Paper & Forest Products

Sector Weighting:
Underweight

Spotlight On The Paper & Wood Stocks

January 30, 2005 - February 3, 2006

This Week's Highlight:

- **International Paper Co.**: Q4 Earnings Better Than Expected On Higher Shipments, But Energy Costs High

Also Included In This Issue:

- **Abitibi-Consolidated Inc.**: Q4 Earnings Results In Line – Heavy Lifting In Operational Review Largely Done
- **Domtar Inc**.: Weak Q4 Results In Line
- **International Forest Products Limited**: Q4 Earnings In Line With Expectations
- **Norbord Inc.**: Stronger-than-expected Q4
- **Printing & Writing**: December Statistics – Demand Remains Weak
- **Monthly Commodity Prices**
- **Monthly Share Price Performance**
- **Monthly Index Performance**
- **North American Valuations**

Upcoming Events:

Whistler Pre-Conference Tour – Tour of Canfor operations in Prince George, BC: February 15, 2006. For further information, please contact Jonathan Lethbridge at jonathan.lethbridge@cibc.ca.

CIBC World Markets' 9th Annual Whistler Institutional Investor Conference, BC: February 15–18, 2005 – Presentations by the following paper & forest product companies: Abitibi-Consolidated, Canfor, Cascades, Catalyst Paper, Cathay Forest Products, Domtar, Interfor, Louisiana-Pacific, Norbord, TimberWest, West Fraser, and Western Forest Products.

All figures in Canadian dollars, unless otherwise stated.

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Commodity Price Forecasts

Exhibit 1. Commodity Price Summary (US$)

	Units	1995	2001	2002	2003	2004	2005	2006E	Normalized	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	$880	$547	$462	$525	$617	$611	$655	$630	$605	Rising
Newsprint	m. ton	670	585	465	503	547	610	650	605	650	Rising
Uncoated Freesheet	sh. ton	990	715	692	628	676	727	770	700	750	Rising
Light Weight Coated	sh. ton	1,226	1,017	867	829	859	997	1,060	1,015	1,000	Falling
Linerboard	sh. ton	510	444	427	421	468	478	490	450	515	Rising
Lumber #2&Btr.	Mbf	250	286	270	278	394	353	305	310	362	Flat
OSB	Msf	245	159	160	380	369	319	225	205	298	Rising
Canadian Dollar	US$	0.73	0.65	0.64	0.72	0.77	0.83	0.82	0.79	0.87	Rising

Source: Pulp & Paper Week, Random Lengths, MS Starquotes, CIBC World Markets Inc.

International Paper Co.

Q4 Earnings Better Than Expected On Higher Shipments, But Energy Costs High

(February 2, 2006) * Note: All sections dated and priced as of release of individual report.

All figures in this write-up in U.S. dollars, unless otherwise stated.

On February 2, International Paper (IP) (IP–NYSE, Sector Performer) reported EPS from continuing operations and before special items of $0.12. This is lower than the $0.43/share reported last year, but better than the $0.05/share we were expecting.

Both the year-over-year and quarter-over-quarter drops in earnings are primarily due to higher natural gas, fuel oil and chemical prices. The stronger-than-expected results are due to higher-than-anticipated shipments of containerboard and printing papers.

We agree with management's guidance that Q1/2006 will likely be in line with the Q4/2005 numbers. The negative impact of seasonally lower volumes and higher corporate expenses will likely be offset by marginally higher output prices and moderating gas prices.

While we expect some upward movement in containerboard and UFS paper prices in the first half of 2006, we continue to be concerned with capacity expansions in China and the potential spillover effect into international markets. For IP, the main concern is in the boxmarket segment.

Net earnings for 2005 rose substantially to $2.21/share compared to a loss of $0.07/share in 2004, with the change primarily reflecting the impact of asset sales.

Full-year earnings from continuing operations and before special items fell to $1.08/share in 2005 from $1.26/share in 2004. The big factors driving the year-over-year results were higher raw material prices (-$0.87/share), which more than offset the benefits of higher prices for paper and packaging (+$0.71/share).

An EPS variance analysis of continuing operations and before special items for Q4/2005 compared to the previous quarter underscores the dramatic impact of higher raw material costs. Specifically, the following factors drove the net $0.17/share year-over-year decline:

- ($0.15)/share from higher energy ($0.09), wood ($0.03) and other raw materials ($0.03). Even the bulk of the higher delivered wood costs was driven by higher delivery charges associated with fuel prices.

- ($0.05)/share from higher costs associated with product mix, which were primarily driven by one-time events (e.g., rebuild of the Eastover paper mill).

- ($0.03)/share associated with lower lumber and packaging prices.

- ($0.09)/share associated with a range of other items like higher corporate items ($0.04) – e.g., pension liabilities – land sales ($0.02) and other items like increased distribution costs.

The above negative factors more than offset volume gains in packaging and paper, which contributed $0.08/share, and a reduced tax rate, which helped by $0.05/share from the previous quarter.

The negative impact of high raw materials cannot be overstated, and is underscored by the following sensitivity analysis:

- If raw material prices had remained at their already high average level in 2004, EBIT in 2005 would have been $585 million ($0.87/share) higher.
- If raw material prices had stayed at average Q4/2004 levels, EBIT in Q4/2005 would have been $199 million ($0.32/share) higher.
- If raw material prices had stayed at average Q3/2005 levels, EBIT in Q4/2005 would have been $95 million higher ($0.15/share).

Segmented results were as follows:

- Fourth-quarter operating profits for **Printing Papers** were $88 million compared with third-quarter operating profits of $141 million. The decline in earnings was largely caused by a rise in energy prices in general, and especially natural gas prices. Output price realizations were generally flat. Volumes of UFS paper increased, while those of coated paper experienced a seasonal decline.
- **Industrial Packaging** operating profits were $11 million compared with $37 million in the third quarter. High input prices and lower box prices more than offset strong gains in sales volumes of containerboard. As indicated above, higher-than-expected containerboard volumes – of which a significant amount was apparently sold out of inventory – drove the higher-than-expected earnings for the quarter.
- **Consumer Packaging** operating profits were down slightly at $21 million, compared with $38 million in the previous quarter. Although Shorewood Packaging and Foodservice contributed strong results, they were more than offset by higher input costs and lack-of-order downtime in the Bleached Board business.
- The company's distribution business, **xpedx**, reported operating profits of $25 million for the fourth quarter, up from $23 million in the previous quarter. While volumes were flat, margins were a little better.
- Fourth-quarter **Forest Products** operating profits were $257 million, down from third-quarter earnings of $274 million. The segment experienced lower seasonal volumes of both lumber and plywood, as well as lower prices for lumber. The only bright spot was marginally higher plywood prices.

Next year the company expects its pension expense to rise by $85 million, due to revised mortality assumptions and a different discount rate. However, the company does not expect to make any cash contributions before 2007.

Looking towards Q1/2006, management expects the results will be in line with the Q4/2005 numbers:

- Volumes are generally lower in the seasonally slow first quarter, and some increases are expected in corporate expenses associated with pension costs and the implementation of the supply-chain management plan.
- However, marginal increases are expected in the pricing of containerboard, paper and pulp.

- Furthermore, some decline in raw material costs is also anticipated. For example, while the average natural gas price paid by IP was $13/Mcf in Q4/2005, it dropped to $11.50/Mcf in January and is expected to hover around $9/Mcf in February/March.

With the unveiling of the company's Transformation Plan in July 2005, 2005/2006 is expected to be a pivotal period for the company. As a result, in our view, there is significant uncertainty associated with any estimates of IP's normalized financial results.

We are taking this opportunity to adjust our 2005 quarterly EPS figures to reflect revisions IP made in late 2005. These changes incorporate revised income tax provisions and the reclassification of earnings between continuing and discontinued operations. Including Q4 results and these changes, full-year 2005 results for IP were a profit of $1.08/share.

We are lowering our 2006 EPS estimate from $1.85 to $1.80 in order to reflect higher-than-expected corporate costs next year, which were partially offset by the benefits of a lower-than-expected tax rate.

Price Target Calculation

Based on a multiple of 7.25x our blended EBITDA estimate (25% of 2006E EBITDA of $3.3 billion and 75% of normalized EBITDA of $3.8 billion), we have a price target of $36.00 on International Paper. Our target multiple reflects a liquidity premium on historical valuation. The U.S. paper & forest products stocks have historically traded at an average TEV/EBITDA multiple of 6.5x.

Key Risks To Price Target

Potential risks to our price target include a weaker-than-expected U.S. economy, continuing increase in input costs and a lower-than-expected value realized on the sale of timberlands.

Abitibi-Consolidated Inc.

Q4 Earnings Results In Line; Heavy Lifting In Operational Review Largely Done

(February 1, 2006)

After unusual items, Abitibi-Consolidated (A–TSX, Sector Outperformer) reported a net loss of $0.12/share for Q4/2005. This result is in line with our estimate of a loss of $0.10/share and last year's result of a loss of $0.13/share. Reported GAAP EPS for the quarter were a loss of $0.81.

After taking decisive decisions regarding mill closures and asset sales, we think Abitibi has completed the bulk of its operational review – both its income statement and balance sheet are positioned for improvements in 2006.

However, the company still faces meaningful challenges from the strong Canadian dollar, high energy and fiber prices, and the secular downward trend in North American newsprint consumption.

Abitibi permanently closed the equivalent of roughly 3.5% of North American newsprint capacity in Q4/2005. With the US$/C$ at a 14-year high, we expect other producers to announce reductions in their Canadian capacity in 2006. The resulting operating rate is expected to maintain pricing pressure.

Operational Review

In our view, during Q4/2005 Abitibi-Consolidated completed the "heavy lifting" in its operational review with the: 1) closure of its newsprint mills in Kenora and Stephenville; 2) sale of private timberland in Ontario and 50% stake in Pan Asia; and 3) write-downs of the paper mills in Lufkin and Fort William. It was a busy quarter.

During the fourth quarter Abitibi permanently closed 434,000 Tpy of newsprint capacity in North America (roughly 3.5% of continental capacity) and announced its intention to permanently close another 60,000 Tpy at its mill in the U.K. in early 2006. Given the ongoing downward trend in North American newsprint consumption (it fell 5.1% year over year in 2005 and 4.9% in Q4/2005) and the continuing strength of the US$/C$ exchange rate, we expect further capacity closures in Canada by other producers. [Some of the most likely candidates are Stora Enso's (SEO–NYSE, Not Rated) operation in Nova Scotia and some of Bowater's (BOW–NYSE, Sector Outperformer) mills in Quebec and the Maritime provinces.]

Looking forward to the remainder of 2006, the focus in the paper operations will be on assessing the future of the paper mills in Bridgewater (U.K.), Fort William (Ontario), Grand Falls (Newfoundland) and Lufkin (Texas) – the latter is currently idled. The salient points to note regarding these mills are:

- Even after the closure of the 60,000 Tpy newsprint machine, which is expected to occur at the end of Q1/2006, the Bridgewater mill is likely Abitibi's highest-cost newsprint facility. The site is left with two machines with an aggregate capacity of about 240,000 Tpy. While we expect management's preferred option is to increase its productivity prior to selling the mill, we would not be surprised to see it closed if the newsprint market contacts more than expected.

- The relatively small, uncoated groundwood Fort William mill in Ontario has the potential to be upgraded to produce hi-brite paper. However, some way to mitigate the high energy prices in Ontario must be found. While the solution may well be in the form of a bio-mass-based cogen facility, the economics of this are not clear given the size of the mill.

- Turning to Grand Falls, the long-term prospects are not great for the #7 paper machine currently operating at the site. Given that Grand Falls is geographically well placed to service the export market, the mill's future would likely be brighter if the Bridgewater mill were sold or closed.

- Management still thinks Lufkin's long-term viability is depends on the mill being converted to produce coated groundwood paper. For this to happen, Abitibi would have to find a financial partner, and a cogen plant would have to be constructed. Our view is that the mill will never re-start.

In addition to the above, we think Abitibi may also explore what role it can play in the restructuring of the solidwood industry in Eastern Canada. As it stands, Abitibi runs the largest (and most profitable) lumber business east of the Rocky Mountains.

As part of the operational review, the company has reduced its EBITDA improvement target for 2006 from $250 million to $175 million. This reflects the delay of additional AO/EO conversion projects and the conversion at Lufkin until after 2006. Key points to note regarding the new target are:

- As of the end of Q4/2005, a run-rate of $90 million has already been achieved. This reflects cost & productivity improvements of $20 million in newsprint, $10 million in commercial printing papers, $20 million in wood products, and $40 million in improved sales mix and logistics.
- Management expects additional cost, productivity and sales mix improvements, which will allow the company to achieve its targeted run rate of $175 million by the end of 2006.
- We are not reflecting the impact of the profit improvement in our earnings estimates until more detailed actions are announced.

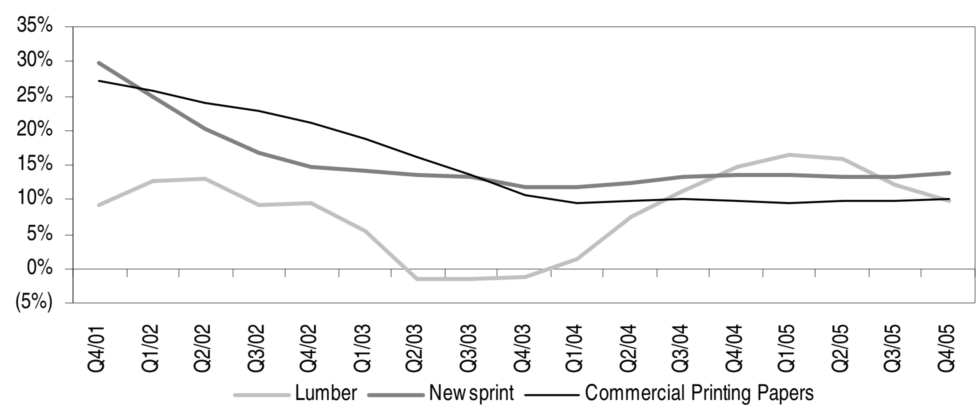
Segmented Results

The strong Canadian dollar is arguably the biggest challenge facing Abitibi. For the full year, the Canadian dollar was 7.4% stronger against the U.S. dollar, reducing year-over-year operating results by approximately $236 million. The negative impact of the stronger Canadian dollar for Q4/2005 was ($29 million) versus Q4/2004. Given the recent capacity closures, each US$0.01 change in the C$/US$ exchange rate changes pretax cash by roughly $35 million ($0.08/share).

EBITDA before specific items was $139 million in Q4/2005 versus $138 million in Q4/2004. However, this reflects an increase of $26 million in the paper segments and a decrease of $25 million in wood products. Aside from the strengthening in the Canadian dollar, improvements due to paper prices were offset by higher energy and fiber costs.

Exhibit 2 summarizes Abitibi's quarterly segmented EBITDA margins (before unusual items) on an LTM (last 12 months) basis, since the beginning of 2004. The trend remains flat for the two paper segments, and down for the solidwood segment.

Exhibit 2. LTM EBITDA Margins



Source: Company reports and CIBC World Markets Inc.

The following points are worth noting regarding Abitibi's segmented results:

- **Newsprint:** During Q4/2005 the segment generated an EBITDA margin of 13.4% ($71/tonne). This is marginally better than the 11.1% generated by Catalyst Paper (CTL–TSX, Sector Underperformer). Year-over-year EBITDA increased by $19 million before specific items. On a per tonne basis, the cost of goods sold for newsprint was $20 higher in Q4/2005 versus Q4/2004. We agree with management's view that newsprint consumption in North America will likely decline by 4% in 2006 and that global growth will be around 1%. We also concur that capacity reductions at the industry level will be sufficient to maintain pricing pressure.

- **Commercial Printing Paper:** During Q4/2005 the segment generated an EBITDA margin of 7.7% ($30/tonne). This is marginally worse than the 10.3% generated by Catalyst. Year-over-year EBITDA increased by $7 million before specific items. On a per tonne basis, the cost of goods sold for commercial printing paper was $29 higher in Q4/2005 compared to Q4/2004. Management expects North American demand for uncoated groundwood paper to grow in the 2%–3% range. Although it rose by 2.3% in 2005, we think the rise in 2006 will be at the low end of the company's estimated range.

- **Wood Products:** During Q4/2005 the segment generated an EBITDA margin of 5.3%. Year-over-year EBITDA decreased by $25 million before specific items. On a per thousand boardfeet basis, the cost of goods sold for wood products was $11 higher in Q4/2005 versus Q4/2004. We think lumber prices will be relatively strong in the first half of 2006, but that they will weaken in the second half. Average countervailing duties (CVD) and anti-dumping (AD) duties averaged 10% in 2005, but are expected to fall to 11.9% in 2006.

Financial Position

At the end of the quarter, Abitibi's debt/capital ratio stood at 0.598, with total long-term debt at $3,762 million. Since 2001, the company's debt has been reduced by roughly $2.4 billion and its annual financing costs by $160 million.

We think that Abitibi's lenders are more focused on the company's interest coverage ratio than its debt/capital ratio. The former stood at 1.9x for the 12-month period ended December 31, 2005. This ratio is above the 1.5x threshold in the company's revolving credit facility. At the end of the quarter, the company had drawn $70 million on this $800 million facility.

Given the company's bond maturities and lines of credit, we conclude that Abitibi would not be forced to enter the bond market before 2010, even if no free cash flow were generated over that period. Note that we estimate Abitibi's capital expenditures in 2006 will be around $200 million and that its normalized capex is around $300 million/year.

Price Target Calculation

Our price target of $5.50 on Abitibi is based on a multiple of 6.25x our target EBITDA estimate (25% of 2006E EBITDA and 75% of normalized EBITDA). The Canadian paper & forest products stocks have historically traded at an average TEV/normalized EBITDA multiple of 5.0x. However, we think this average multiple is too low, as it reflects the depressed industry conditions of the last five years rather than a full cycle. Our calculation suggests that a multiple of 6.25x on Abitibi would provide investors with a reasonable return over a cycle.

Key Risks To Price Target

Potential risks to our price target include a weaker-than-expected U.S. economy, which would prevent pulp and paper prices from moving higher, and a continuing increase in the Canadian dollar, which is putting pressure on the company's margins.

Domtar Inc.

Weak Q4 Results In Line

(February 2, 2006)

On February 1, Domtar (DTC–TSX, Sector Outperformer) reported a loss before unusual items of $0.25/share for Q4. This result is similar to the loss of $0.26/share that we were expecting.

This result is worse than the loss of $0.17/share posted for Q3/2005 and the loss of $0.09/share reported for Q4/2004.

Results are down from the previous quarter mainly due to the stronger Canadian dollar and higher natural gas prices. Uncoated freesheet prices were down slightly quarter over quarter.

Management's plan to deliver $200 million in cost savings remains on schedule. So far, the company has delivered $100 million in annualized savings. We have a Sector Outperformer rating on the stock, but continue to view the call on the whole Canadian paper industry as a call on the Canadian dollar.

Domtar has fully achieved its goal on delivering annualized targeted savings of $100 million from its 2004–2005 cost-reduction program. However, these savings were more than offset in 2005 by factors such as high costs, especially for purchased energy, fiber and chemicals as well as freight, and overall soft markets. We expect the incremental benefit from this cost-reduction program to improve EBITDA by $38 million in 2006, over last year's results.

The company also began to carry out the restructuring plan it announced at the end of November. At that time, Domtar announced the closure of one paper mill, two paper machines and two sawmills, as well as a general workforce reduction.

In the fourth quarter, these measures resulted in pretax restructuring costs of approximately $500 million, including fixed asset write-offs of $401 million. Management expects to incur $80 million in additional restructuring costs over the next few years. This program comprises the following elements:

- Reduce selling, general, and administrative (S,G&A) expenses by eliminating approximately 100 additional corporate and divisional positions, as well as other S,G&A expenses.
- Implement further cost reductions at the mill level by eliminating approximately 200 additional operational positions.
- Consolidate North American administrative offices in Montreal and Cincinnati.

EBITDA savings from these initiatives are expected to total $94 million and are broken down as follows:

- $28 million from the paper capacity rationalization;
- $11 million from the sawmills rationalization; and
- $55 million from the other cost-reduction initiatives.

We will incorporate the new savings from this effort in our forecasts once they are realized.

Operating results (excluding specified items) came in at a loss of $60 million, which is worse than the losses of $32 million and $2 million that were posted for Q3/2005 and Q4/2004, respectively. With respect to the segmented results, the key points to note are:

- **Papers**: Operating loss of $54 million versus losses of $33 million in Q3/2005 and $15 million in Q4/2004. The deterioration reflects seasonally lower shipments of pulp and paper, higher energy prices, lower average selling prices, higher freight costs and the stronger Canadian dollar.
- **Paper Merchants**: Operating profit of $3 million versus profits of $4 million in Q3/2005 and $5 million in Q4/2004.
- **Wood**: Operating loss of $8 million versus losses of $12 million in both Q3/2005 and Q4/2004. The improvement is due to lower manufacturing costs and reduced softwood lumber duties. The average CVD and AD duties on shipments to the U.S. are expected to fall from 20.15% in 2005 to 10.8% in 2006. In aggregate, Domtar has paid $198 million (US$150 million) in duties since May 2002.
- **Packaging**: Operating profit of zero versus profits of $5 million in Q3/2005 and $15 million in Q4/2004. The deterioration is primarily due to higher energy costs, lower shipments and the stronger Canadian dollar. These negative pressures were partially offset by lower costs for purchased fiber.

Free cash flow was ($63 million) in the quarter, down from ($22 million) in the last quarter. Although we are somewhat concerned with the free cash flow deficit, Domtar's goal is to return the company to a positive free cash flow position as soon as possible.

Domtar generated free cash flow (before changes in working capital and using a normalized capital expenditure level) of ($68 million) in Q4/2005. Proforma, Domtar's restructuring and cost-reduction program, free cash flow would have been ($33 million). In light of the company's goal to turn free cash flow positive, we expect there may be further actions required in the future.

In terms of liquidity, the company has a US$600 million unsecured revolving credit facility. This facility matures in March 2010 and, we estimate, has roughly US$500 million available at this time. With respect to the company's debt repayment schedule, no substantial amounts are due before 2010.

Domtar amended its credit facility maturing in 2010 during November 2005, in order to improve financial flexibility. This facility requires compliance with certain financial covenants, which include: 1) a minimum EBITDA/interest ratio of 1.05:1.0 in early 2006, increasing gradually over time to 2.5:1.0 at the beginning of 2008, excluding from the calculation charges related to the current restructuring plan; 2) the requirement to maintain a minimum EBITDA; and 3) a maximum debt/ total capitalization ratio of 60%, excluding from the calculation charges resulting from the current restructuring plan.

The amendment also reduced the size of the facility from US$700 million to US$600 million, and provided for guarantees by Domtar's subsidiaries. At the end of December, the company had drawn C$160 million on this facility. Given that most Canadian forest products companies experience a significant increase in their use of working capital for seasonal purposes, we expect Domtar to draw further on its revolver in Q1/2006.

If a liquidity crisis appears, Domtar has at its disposal some private timberlands in Canada and the U.S., which we value at roughly $150 million, and a 50% interest in the Norampac joint venture (we conservatively value the equity at roughly $300 million). While the company continues to view Norampac as a good investment, the company confirmed that it is a non-core asset and that it is looking at its options.

As a result of the asset write-downs and weak operating results, Domtar's net debt/capital ratio increased from 51.4% at the end of Q3 to 57.7% currently. This is slightly higher than we had estimated. The company's target is a debt/capital ratio of 45%.

Domtar expects challenging market conditions to continue in 2006; however, price increases have been recently announced for most of the company's key products. In light of the continuing uncertainty with respect to energy prices, the Canadian dollar and UFS paper demand, we maintain our target multiple on Domtar at 6.00x.

Price Target Calculation

Based on a multiple of 6.0x our blended EBITDA estimate (25% of 2006E EBITDA of $633 million and 75% of normalized EBITDA of $645 million), we have a price target of $9.00 on Domtar. Our target multiple is at a premium to the group's average historical valuation due to the company's higher liquidity and strong track record. The Canadian paper & forest products stocks have historically traded at an average TEV/normalized EBITDA multiple of 5.0x. However, we think this average multiple is too low, as it reflects the depressed industry conditions of the last five years rather than a full cycle. Our calculation suggests that a multiple of 6.0x on Domtar would provide investors with a reasonable return over a cycle.

Key Risks To Price Target

Potential risks to our price target include a weaker-than-expected U.S. economy, which would prevent pulp and paper prices from moving higher, and volatility in the Canadian/U.S. exchange rate.

International Forest Products Limited

Q4 Earnings In Line With Expectations

(January 27, 2006)

Late on January 26, International Forest Products (Interfor) (IFP.SV.A–TSX, Sector Performer) reported earnings, before unusual items, of $0.01/share for Q4. This result is in line with our estimate for breakeven results.

This result is better than the loss of $0.05/share reported in the previous quarter but slightly lower than the $0.02/share profit earned in the year-ago quarter.

Earnings improved quarter over quarter, as lower Canadian dollar sales prices were more than offset by lower operating costs and selling and administration expenses. Importantly, the company's Coastal group was marginally profitable in Q4.

As a result of Q4 earnings, full-year 2005 results amounted to a profit of $0.19/share. We have a Sector Performer rating on Interfor.

Generally weak wood product prices in Japan continue to affect Interfor's profitability, but inventories in this market are in good shape and prices have improved recently.

Fourth-quarter results were negatively impacted by the curtailment of the company's Queensboro sawmill in late November. Losses at the Queensboro sawmill and certain non-core assets amounted to $2.6 million (after tax) or $0.05/share. The Queensboro sawmill resumed operation on January 17 on a new operating plan that Interfor believes will result in improved operating and financial performance.

In order to address recent problems at Queensboro, the company will conduct additional trials at the mill over the next three to six months to confirm equipment performance and to determine the most appropriate operating configuration going forward.

Lumber shipments totaled 333 million board feet in the fourth quarter compared to 308 million board feet in the preceding three months.

During the fourth quarter, Interfor paid $7.4 million ($4.9 million after tax or $0.10/per share) in countervailing and antidumping duties on shipments of 106 million board feet to the U.S. So far, Interfor has paid total deposits of $107.6 million since May 2002.

During the quarter, Interfor announced several initiatives designed to help reposition the company in order to maximize shareholder value. These included the sale of TFL 38 and the closures of the Marysville sawmill in Washington State and the Fraser remanufacturing operation in B.C. In total, these and some other initiatives generated over $30 million in cash, net of severance costs.

Interfor plans to continue to address the future of a number of assets that do not fit its long-term business strategy and pursue the sale of additional surplus property and equipment. Specifically, during Q1 Interfor will continue its efforts to streamline its Coastal Group in order to improve operating performance.

Apart from Queensboro, the balance of Interfor's sawmills will operate on a normal schedule in the first quarter.

Interfor's net debt decreased in the fourth quarter by $37 million to stand at $29.7 million, or the equivalent of 7.1% of invested capital. This compares to a ratio of net debt/invested capital of 14.5% at the end of the third quarter.

As part of its 2006 capital plan, Interfor intends to proceed with a $31.5 million capital investment at its Adams Lake B.C. Interior operation to upgrade the mill site and certain equipment and to install a wood waste energy system. These projects will reduce the mill's dependence on natural gas – which is currently trucked to the site – and position the operation for future expansion.

In total, the company expects to spend $100 million in capital programs during 2006. Most of the projects, other than Adams Lake, will be focused on improving operations in the U.S. Pacific North West. Management estimates Interfor's normalized capex spending program should average close to $40 million annually (excluding discretionary projects).

Also, the company intends to continue its initiative to identify complementary opportunities in the B.C. Interior, U.S. Pacific Northwest and southern Pine regions of the U.S.

Price Target Calculation

Based on a multiple of 4.00x our blended EBITDA estimate (25% of 2006E EBITDA and 75% of normalized EBITDA), we have a price target of $7.50 on Interfor. Our target multiple reflects historical valuation.

Key Risks To Price Target

Potential risks to our price target include a weaker-than-expected global economy, which would prevent commodity prices from recovering to their normalized levels.

Norbord Inc.

Stronger-than-expected Q4

(February 1, 2006)

All figures in this write-up in U.S. dollars, unless otherwise stated.

On February 1, Norbord (NBD–TSX, Sector Underperformer) reported a profit of $0.36/share for Q4. This result is better than our EPS estimate of $0.25, as a result of lower-than-expected unit costs. In light of the free cash flow generated in the quarter, we are raising our price target from C$11.00 to C$11.50.

This Q4 result is better than the profit of $0.31/share posted in the previous quarter and the profit of $0.26/share recorded in the year-ago quarter.

Despite higher maintenance downtime, Norbord's results improved quarter over quarter as a result of better OSB prices.

Return on equity (ROE) was 41% on an annualized basis for the quarter, compared to 38% for the third quarter of 2005. ROE for the full year was 46% compared to 47% in 2004.

We were expecting Norbord (NBD–TSX, Sector Underperformer) to take a total of 49 days of downtime in Q4, equivalent to approximately 49,000 Msf of OSB production. As a result of the higher-than-normal shutdowns, we were looking for a 5%–10% increase in North American per unit OSB production costs for Q4 compared to the third quarter. However, Norbord's North American OSB operations took only 25 days of scheduled maintenance downtime, curtailing approximately 29 million feet (3/8" basis) of production. Consequently, North American unit costs were up only 5%.

North American per unit OSB costs for the full year were up approximately 8%. The direct impact on operating costs of rising energy prices has been limited, as the majority of Norbord's energy is provided by burning waste bark and other biomass. Natural gas and electricity satisfy the remainder of Norbord's energy requirements. The company estimates the impact of a $1/MMBtu increase in the price of natural gas to negatively impact annual earnings by approximately $3 million or less than $0.02/share. However, natural gas and oil prices continued to affect the price of resin. Average resin pricing in 2005 was up almost 20% compared to 2004.

Gains from the Margin Improvement Program (MIP) of $28 million in 2005, measured relative to 2004 at constant prices and exchange rates, limited the impact of manufacturing cost increases on earnings. Costs were up $45 million, reflecting higher energy, fiber and resin prices. Mix and volume MIP initiatives were the largest contributors to MIP in 2005. Globally, Norbord expects to deliver MIP gains of $35 million for the full-year 2006.

Average OSB benchmark pricing for the fourth quarter was $319/Msf, 8% above Q3/2005. For the full year, OSB prices averaged $319/Msf compared to $369/Msf for 2004. OSB prices are now around $295/Msf and we are looking for an average of $225/Msf in 2006. In Europe, market conditions are more difficult due to imports of furniture from China, which impact MDF prices in the region. Norbord expects conditions in Europe to remain difficult this year.

Norbord generated free cash flow before changes in working capital of $0.17/share in the fourth quarter. The low free cash flow relative to earnings reflects the company's expansion of the Cordele OSB mill in Georgia.

A net debt/capitalization ratio of 20%–40% is also targeted. At the end of 2005, Norbord's net debt/capitalization ratio was 17% on a market basis and 35% on a book basis. The company's strong balance sheet provides the flexibility to respond to strategic growth opportunities.

There is no question that the "Norbord story" has been very successful. Pretax return on capital employed (ROCE) averaged 45% in the quarter (72% in North America and 11% in Europe) and 53% for the year. Not only has it enjoyed very high OSB prices thanks to the strong U.S. housing market, but management has also done a fine job of managing both its operations and balance sheet.

Despite Norbord's obvious success, we continue to think that this good news is already largely reflected in the current share price. Support for this view is provided in Exhibit 3, which summarizes how we arrive at our estimated net asset value/share of roughly C$11.00 for the company. We also estimate that Norbord is trading at an implied value of US$366/Msf of OSB capacity. Given that precedent transactions at the peak of this cycle were in the range of US$325/Msf–US$355/Msf, we think Norbord's current valuation already reflects a potential takeover premium. Furthermore, with the downward trend in OSB prices we expect over the next 12–24 months, we do not think these precedent prices will be exceeded during the remainder of this cycle.

Exhibit 3. Norbord NAV

North American Panels (C$)	Capacity	Unit	Value Per Unit	Value
OSB	3,670,000	msf (3/8")	$378	$1,386,918,605
MDF	160,000	msf (3/8")	$320	$51,162,791
Plywood	80,000	msf (3/8")	$60	$4,800,000
European Panels (C$)				
Panels	1,385,000	msf (3/8")	$295	$409,000,000
Agglo NV	600,000	msf (3/8")	$124	$74,418,605
Sub-total				$1,926,300,000
Less: Net debt (C$)				$332,558,140
Preferred shares (C$)				$0
Equity Value (C$)				$1,593,741,860
Number Of Shares				$144,700,000
Net Value Per Common Share (C$)				$11.01
Implied OSB Value Per Msf (US$)				$366

Source: Company reports and CIBC World Markets Inc.

Price Target Calculation

Based on a multiple of 6.25x our blended EBITDA estimate (25% of 2006E EBITDA and 75% of normalized EBITDA of $270 million), we now have a price target of C$11.50 on Norbord. Our target multiple is at a premium to the average historical valuation in Canada due to the company's attractive dividend yield, among the highest in the basic materials sector. The Canadian paper & forest products stocks have historically traded at an average TEV/normalized EBITDA multiple of 5.0x. In raising our price target on Norbord to C$11.50 from C$11.00, we are changing the net debt portion of TEV because of the cash generated in the quarter.

Key Risks To Price Target

Potential risks to our price target include a larger-than-expected correction in U.S. housing starts, which would result in low building materials prices.

Printing & Writing

December Statistics – Demand Remains Weak

(January 30, 2006)

Late on January 30, the Pulp and Paper Products Council (PPPC) released its North American printing and writing (P&W) paper statistics for December. Overall, demand was down 2.7% year over year, while total inventories in December increased by a modest 11,000 tonnes. However, anecdotal evidence suggests a modest improvement in demand in early Q1/2006.

Weak paper demand appeared across the board in December, with all grades experiencing lower year-over-year demand. On a relative basis, coated freesheet (CFS) was the best performing (down 2.1%) while coated groundwood (CGW) was the worst (down 3.4%).

Demand for uncoated freesheet (UFS), the most important grade, fell by 2.5% year over year, while demand for uncoated groundwood (UGW) fell 3.1%.

In our universe, focusing on those companies highly leveraged to P&W papers, the changes in paper demand during December are most negative for Bowater, Catalyst Paper and Abitibi, in that order.

Total P&W producer inventories rose this month, increasing by 11,000 tonnes or 0.4% during December, and are only 0.9% lower than last year at this time. UFS inventories posted the largest increase, rising by 16,000 tonnes over the previous month, while CGW inventories rose by 14,000 tonnes. CFS inventories dropped 14,000 tonnes and are now 8% lower than the average levels over the last four years.

Demand for UFS continues to decline despite generally improving employment levels in the U.S. The UFS operating rate (shipments-to-capacity) deteriorated in December to 85%, from 86% a year ago.

Companies including IP, Weyerhaeuser (WY–NYSE, Sector Underperformer) and Domtar have announced plans to close up to 10% of North American UFS capacity between the beginning of 2005 and early 2007.

In the longer term, we think some UFS markets will be permanently lost as a result of the conversion of newsprint capacity to super-high-brite UGW papers (e.g., Abitibi's EO/AO grades), which compete with the UFS offset rolls. Given the poor outlook for newsprint in North America, we expect continued conversions and that these high-brite groundwood papers will be extremely price competitive. We expect a negative ripple effect throughout most of the UFS paper grades as UFS prices improve and as the incentive to substitute to cheaper alternatives increases.

In order to combat this threat, International Paper has led an initiative away from standard 84-brightness UFS paper towards a higher brightness paper. Although the higher 92-brightess paper has been widely accepted, the long-term pricing impact is not yet clear.

UFS producers have also struggled in recent years from substitution to coated grades due to the high price of UFS relative to CFS paper. After peaking at 93% in July 2002, and then falling as low as 73% in late 2003, the relative price (UFS/CFS) is 83%, slightly above the average over the past 10 years. Given the current ratio, we do not think substitution is negatively affecting UFS at this time.

Boise Paper had announced they would increase UFS prices by US$60/ton effective early January, most of which has gone through. Producers have seen prices fall from highs earlier in 2005 (from US$770/ton in April to US$705/ton in December) and increase to the current price of US$750/ton. The companies with the greatest leverage to UFS prices are Domtar, Fraser Papers (FPS–TSX, Sector Performer) and International Paper.

Escalating cost inflation remains a severe problem for all paper and forest products companies. As a result, most major producers of coated and specialty papers have announced surcharges, varying between US$5/ton–US$20/ton, to cover some of the costs associated with higher oil and natural gas prices.

Cost pressures on coated groundwood grades had enabled producers to announce a price increase of US$20/ton–US$25/ton for November orders. Prices have since dropped, but only slightly, and are currently standing at US$1,000/ton. UPM's (UPM–NYSE, Not Rated) large mill in Miramichi, New Brunswick, will be idled for three months, reducing 125,000 tons of LWC capacity, effective February 1. Note that the overall outlook for this mill is clouded due to the recent announcement that regulated electricity prices paid by large industrial consumers in New Brunswick will increase by 12.9% effective April 1.

In 2005, markets for UGW improved 3.5% and then dropped. A number of producers have informed customers in North America of a US$60/ton price increase for selected grades of uncoated mechanical paper, effective February 1.

Prices for super calendared-A grade paper are currently US$800/ton, having dropped after two pricing announcements during 2005.

Catalyst Paper, Abitibi and Bowater have the greatest exposure to UGW paper.

Exhibit 4. North American P&W Paper Demand Data

Grade	Dec-05	Dec-04	% Change
CFS	455,000	465,000	(2.1%)
CGW	479,000	496,000	(3.4%)
UFS	1,007,000	1,033,000	(2.4%)
UGW	489,000	505,000	(3.1%)
Total	2,430,000	2,499,000	(2.7%)

Grade	January-December 2005	January-December 2004	% Change
CFS	5,558,000	5,667,000	(1.9%)
CGW	5,831,000	6,015,000	(3.1%)
UFS	12,536,000	13,037,000	(3.8%)
UGW	6,160,000	6,021,000	2.3%
Total	30,085,000	30,740,000	(2.1%)

Source: Pulp And Paper Products Council and CIBC World Markets Inc.

Monthly Commodity Prices

(January 2006)

Exhibit 5. January's Commodity Prices

Commodity (US$/unit)	Units	January 2006	December 2005	November 2005	January 2005	Year-to-year % Change
Pulp, Paper & Paperboard						
NBSK Pulp (del. Eastern U.S.)	m. ton	$640	$640	$640	$650	(1.5%)
NBSK Pulp (del. Northern Europe)	m. ton	$605	$600	$600	$625	(3.2%)
NBSK Pulp (Japan)	m. ton	$510	$520	$540	$520	(1.9%)
NBSK Pulp (Korea)	m. ton	$530	$530	$550	$540	(1.9%)
BCTMP (del. Northern Europe)	m. ton	$550	$555	$555	$480	14.6%
Newsprint (30-lb, East)	m. ton	$650	$645	$635	$580	12.1%
Supercalendered (35-lb)	sh. ton	$800	$800	$800	$795	0.6%
Light Weight Coated (No.5, 34-lb roto rolls)	sh. ton	$1,000	$1,010	$1,010	$950	5.3%
Uncoated Freesheet (Offset, 50-lb rolls) [1]	sh. ton	$750	$705	$705	$740	1.4%
Linerboard (42-lb, East) [1]	sh. ton	$515	$475	$475	$500	3.0%
Corrugating Medium (26-lb, East) [1]	sh. ton	$485	$445	$445	$470	3.2%
Recycled Folding Boxboard (20-pt clay coated) [1]	sh. ton	$745	$745	$745	$715	4.2%
Wastepaper (averages for the first half of the month)						
News (8) (New York)	sh. ton	$68	$68	$73	$75	(10.0%)
Corrugated Containers (New York)	sh. ton	$58	$58	$63	$78	(25.8%)
Mixed Paper (1) (New York)	sh. ton	$38	$43	$45	$53	(28.6%)
Solid Wood (monthly averages)						
Western SPF 2x4 #2&Btr	mbf	$357	$341	$328	$366	(2.5%)
Hemlock Square, 4-1/8, 13-foot, Japan	mbf	$615	$595	$595	$590	4.2%
Southern Plywood, 15/32, 3-ply, West	msf	$322	$321	$321	$330	(2.3%)
OSB, 7/16, North Central	msf	$304	$295	$275	$318	(4.4%)
Exchange Rates (monthly averages)						
$C	US$	0.86	0.86	0.85	0.82	5.8%
YEN	US$	115.48	118.46	118.45	103.34	11.7%
EUR	US$	0.82	0.84	0.85	0.76	8.2%

Source: Pulp & Paper Week, Random Lengths, Random Lengths International, Bloomberg, US Federal Reserve Board.

Monthly Share Price Performance

(January 2006)

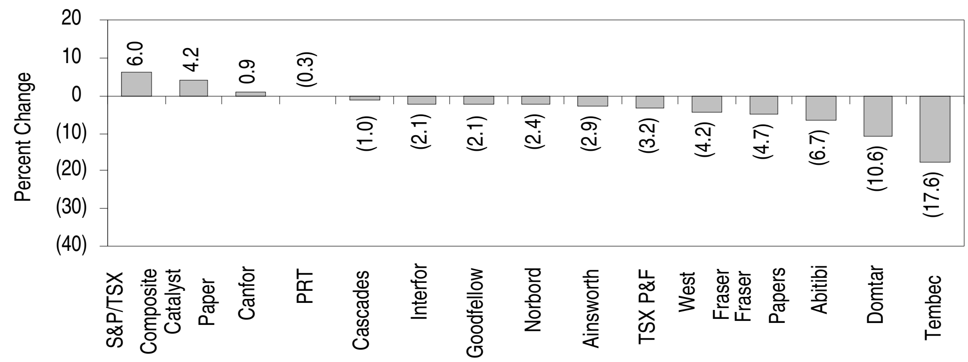
Exhibit 6. January's Rising And Falling Stars

Canada	% Change	U.S. And Europe	% Change
Rising Stars			
Catalyst Paper	4.2	Rayonier	7.3
Canfor	0.9	LP	7.2
PRT	(0.3)	Weyerhaeuser	5.2
Falling Stars			
Abitibi	(6.7)	Bowater	(11.0)
Domtar	(10.6)	UPM-Kymmene	(14.2)
Tembec	(17.6)	Stora Enso	(15.6)

Results presented should not and cannot be viewed as an indicator of future performance.

Source: Company reports and CIBC World Markets Inc.

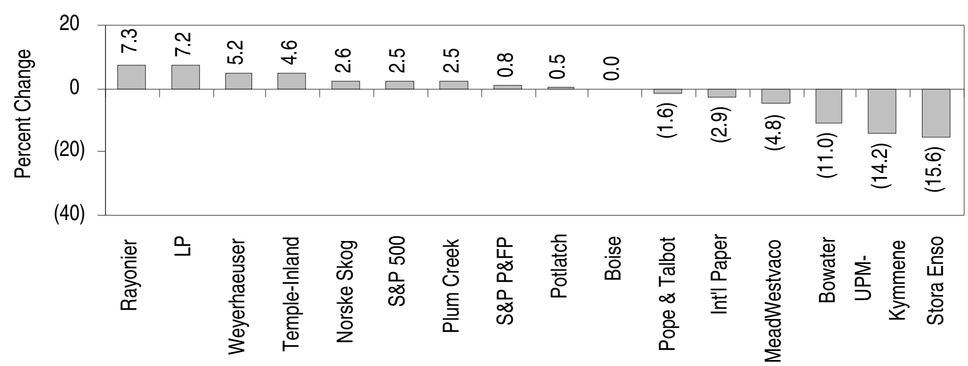
Exhibit 7. Canada – One-month Share Performance (January 2006)



Results presented should not and cannot be viewed as an indicator of future performance.

Source: Company reports and CIBC World Markets Inc.

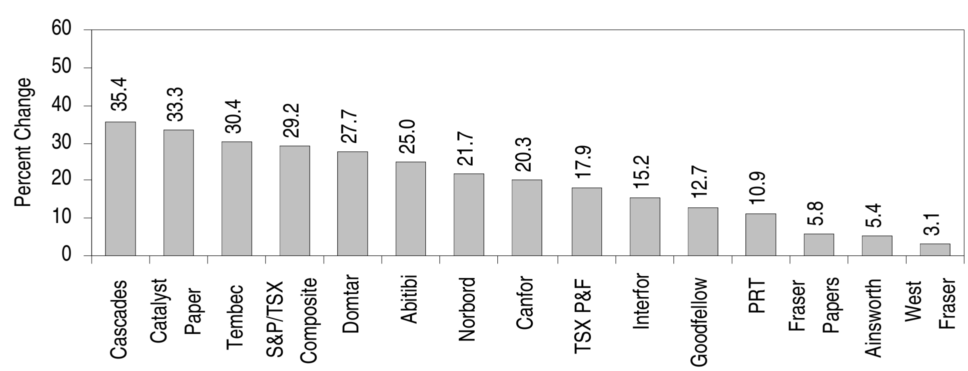
Exhibit 8. U.S. And Europe – One-month Share Performance (January 2006)



Results presented should not and cannot be viewed as an indicator of future performance.

Source: Company reports and CIBC World Markets Inc.

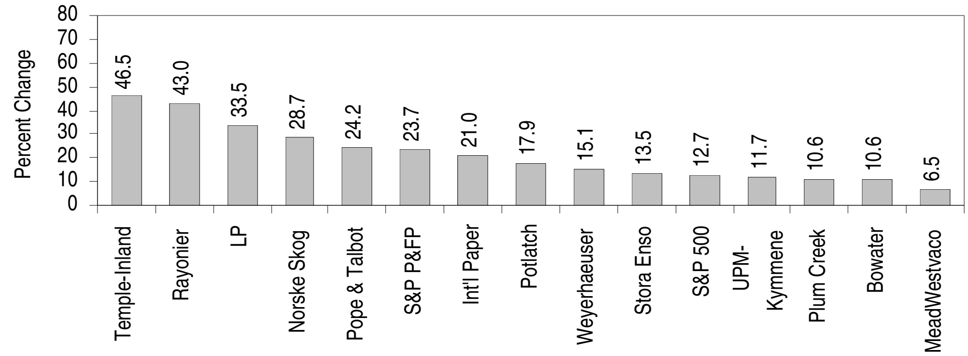
Exhibit 9. Canada – Share Performance From The 52-week Low



Results presented should not and cannot be viewed as an indicator of future performance.

Source: Company reports and CIBC World Markets Inc.

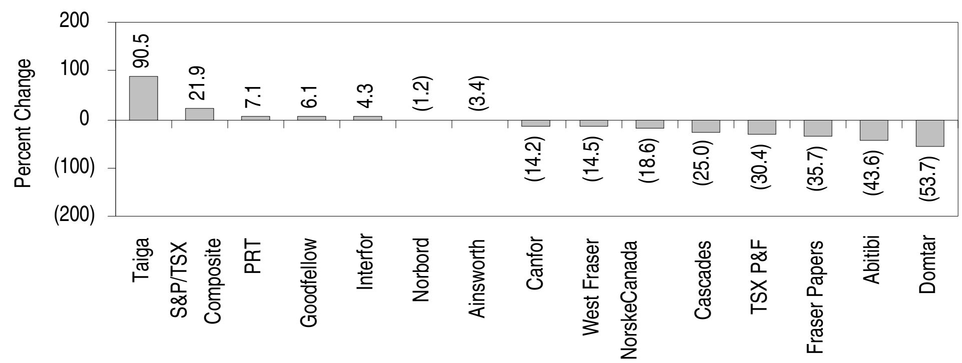
Exhibit 10. U.S. And Europe – Share Performance From The 52-week Low



Results presented should not and cannot be viewed as an indicator of future performance.

Source: Company reports and CIBC World Markets Inc.

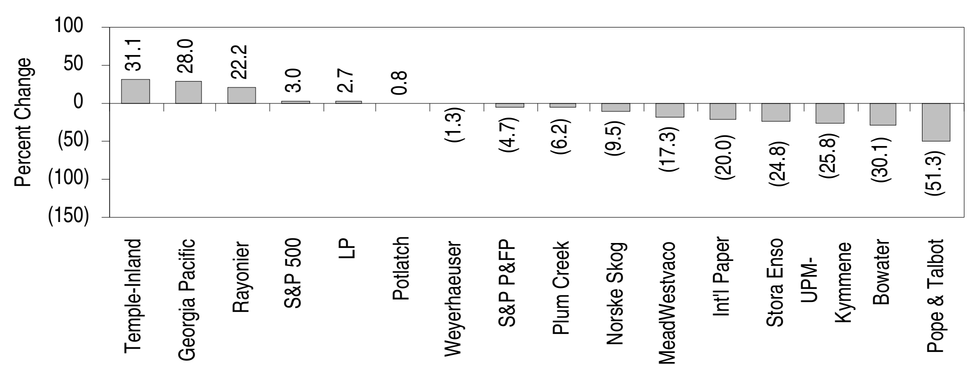
Exhibit 11. Canada – 2005 Share Performance



Results presented should not and cannot be viewed as an indicator of future performance.

Source: Bloomberg, CIBC World Markets Inc.

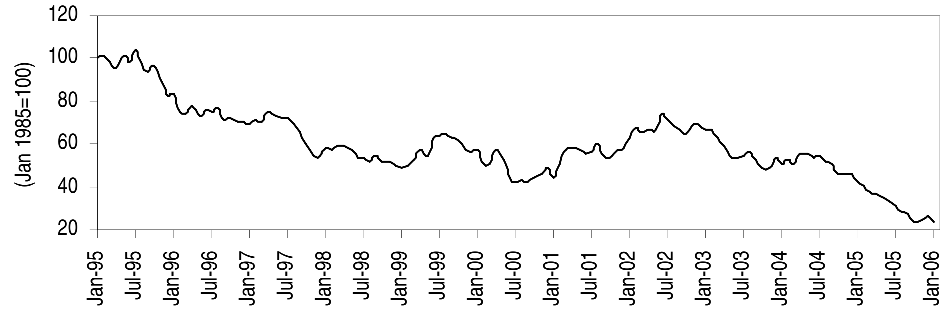
Exhibit 12. U.S. And Europe – 2005 Share Performance



Results presented should not and cannot be viewed as an indicator of future performance.

Source: Bloomberg, CIBC World Markets Inc.

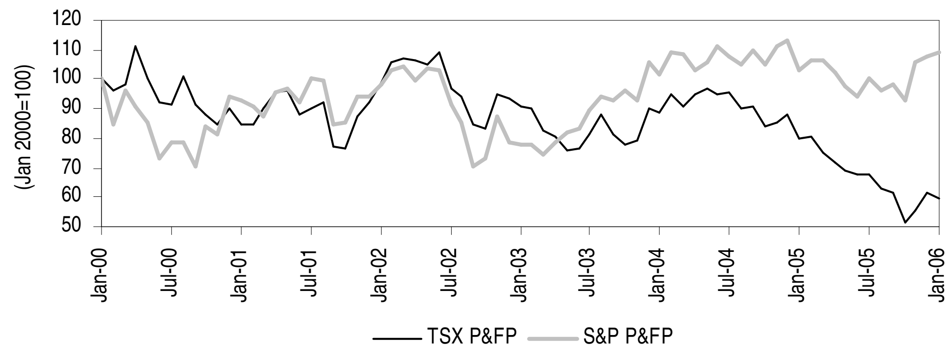
Exhibit 13. Relative Performance – TSX Paper And Forest Sub-Index Versus The S&P/TSX Composite



Results presented should not and cannot be viewed as an indicator of future performance.

Source: Bloomberg, CIBC World Markets Inc.

Exhibit 14. Performance Of The TSX Paper And Forest Sub-Index And The S&P Paper & Forest Products Sub-Index



Results presented should not and cannot be viewed as an indicator of future performance.

Source: Bloomberg, CIBC World Markets Inc.

North American Valuations

(February 3, 2006)

Exhibit 15. North American Companies' P/E And TEV/EBITDA Valuation

	Mkt. Cap. ($ mlns.)	Float (mlns.)	Price 3-02-06	P/E 2004	P/E 2005E	P/E 2006E	TEV/EBITDA 2004	TEV/EBITDA 2005E	TEV/EBITDA 2006E	TEV/EBITDA Normalized	EBITDA 2004	EBITDA 2005E	EBITDA 2006E	EBITDA Normalized	Price/ Tangible BV
U.S. (US$)															
Bowater	$1,543	$1,479	$26.89	n.m.	n.m.	19.3	11.0	8.8	6.1	6.0	$368	$458	$658	$675	2.65
International Paper	16,694	16,652	32.92	23.1	30.5	18.3	8.6	9.9	7.8	7.1	3,183	2,770	3,490	3,832	4.34
Louisiana-Pacific	3,126	3,061	28.68	6.6	9.0	23.3	2.4	3.4	7.1	6.4	942	651	314	352	1.84
Weyerhaeuser	16,164	15,616	67.25	13.5	16.5	15.9	6.5	6.7	7.3	7.2	3,745	3,611	3,345	3,394	2.26
Average	9,382	9,202		14.4	18.6	19.2	7.1	7.2	7.1	6.7					2.77
Canada (C$)															
Abitibi-Consolidated	1,874	1,874	4.26	n.m.	n.m.	28.4	7.6	8.8	6.0	6.2	745	640	939	915	1.70
Canfor	1,947	1,119	13.66	4.7	21.7	15.7	3.7	7.8	6.6	5.2	684	326	383	485	0.94
Cascades	785	492	9.81	n.m.	n.m.	20.9	7.8	7.3	6.9	5.1	254	273	290	391	0.88
Domtar	1,343	950	5.84	n.m.	n.m.	16.7	8.2	16.0	5.7	5.5	435	224	629	645	0.91
Fraser Papers* (US$)	280	159	9.50	n.m.	n.m.	n.m.	12.5	13.6	5.9	5.2	25	23	53	60	0.52
Interfor	339	322	6.97	14.5	36.7	11.8	5.8	6.4	4.3	4.2	75	68	100	103	0.90
Norbord* (US$)	1,791	1,001	12.38	5.0	6.5	13.0	2.9	3.7	6.3	6.8	633	497	294	270	3.22
Catalyst Paper	685	483	3.19	n.m.	n.m.	n.m.	15.0	9.6	5.9	5.5	103	161	260	280	0.67
Tembec	90	80	1.05	n.m.	n.m.	n.m.	11.2	476.2	7.1	5.4	170	4	267	352	0.11
West Fraser	1,675	1,123	39.20	8.4	21.0	14.4	5.6	5.3	4.8	4.4	424	452	492	542	1.06
Average	1,081	760		8.2	21.4	17.3	8.0	55.5	6.0	5.4					1.09
Income Trusts (C$)															
PRT Regeneration Fund	76	76	10.01								7	9	12	9	
SFK Pulp Fund	278	278	4.70								63	35	52	55	
TimberWest	1,089	1,089	14.09								113	81	94	97	
Average	446	441													

* Fraser Papers and Norbord report in US$ and trade on the TSX. Data including price, dividend, market cap and float are in C$; all other figures are in US$.

Source: CIBC World Markets Equity Research.

Exhibit 16. Summary Spreadsheet

Stock Rec.	Symbol	Company	Fiscal Year	Price 27-01-06	52-week High	52-week Low	Ind. Div.	Yield	Shares O/S (mlns.)	Mkt. Cap. ($ mlns.)	Float ($ mlns.)	Net Debt/ Capital	Fiscal Yr. EPS 2004	Fiscal Yr. EPS 2005E	Fiscal Yr. EPS 2006E	P/E Multiples 2004	P/E Multiples 2005E	P/E Multiples 2006E	BVPS	P/B	ROE 2004	ROE 2005E	ROE 2006E	Total Implied Return[1]	12-mo. Price Target
U.S. (US$)																									
SO	BOW	Bowater	Dec.31	$26.89	$42.05	$24.73	$0.80	3.0%	57.4	$1,543	$1,479	62%	($1.27)	($0.69)	$1.39	n/a	n/a	19.3	$24.57	1.1	(5%)	(3%)	11%	33.1%	$35.00
SP	IP	International Paper	Dec.31	32.92	40.28	26.97	1.00	3.0%	507.1	16,694	16,652	54%	1.43	1.08	1.80	23.1	30.5	18.3	17.53	1.9	7%	5%	17%	12.4%	36.00
SP	LPX	Louisiana-Pacific	Dec.31	28.68	29.75	22.09	0.40	1.4%	109.0	3,126	3,061	(82%)	4.33	3.20	1.23	6.6	9.0	23.3	18.09	1.6	33%	19%	14%	6.0%	30.00
SU	WY	Weyerhaeuser	Dec.31	67.25	71.85	60.62	2.00	3.0%	240.4	16,164	15,616	45%	5.00	4.08	4.24	13.5	16.5	15.9	42.13	1.6	16%	12%	25%	2.6%	67.00
		Group Average						2.6%				27%				14.4	18.6	19.2		1.5	12.7%	8.4%	16.6%	13.5%	
Canada (C$)																									
SO	A	Abitibi	Dec.31	4.26	7.23	3.46	0.10	2.3%	440.0	1,874	1,874	60%	(0.39)	(0.40)	0.15	n/a	n/a	28.4	5.46	0.8	(7%)	(7%)	6%	31.5%	5.50
SP	CFP	Canfor	Dec.31	13.48	18.50	11.26	0.00	0.0%	142.5	1,921	1,119	22%	2.88	0.63	0.87	4.7	21.4	15.5	14.47	0.9	25%	5%	13%	18.7%	16.00
SO	CAS	Cascades	Dec.31	10.05	13.95	7.35	0.16	1.6%	80.1	805	492	54%	0.20	(0.02)	0.47	50.3	n/a	21.4	12.60	0.8	2%	(0%)	7%	21.0%	12.00
SO	DTC	Domtar	Dec.31	5.95	12.15	4.70	0.00	0.0%	230.0	1,369	950	58%	(0.14)	(0.37)	0.35	n/a	n/a	17.0	6.84	0.9	(1%)	(3%)	6%	51.3%	9.00
SP	FPS	Fraser Papers[2]	Dec.31	9.51	15.24	9.02	0.00	0.0%	29.5	281	159	13%	(0.63)	(0.38)	0.06	n/a	n/a	137.9	15.86	0.6	(4%)	(2%)	1%	15.7%	11.00
SP	IFP.A	Int'l Forest Prod.	Dec.31	6.98	7.94	6.12	0.00	0.0%	48.7	340	322	19%	0.48	0.19	0.59	14.5	36.7	11.8	8.06	0.9	6%	2%	14%	7.4%	7.50
SU	NBD	Norbord[2,3]	Dec.31	12.25	13.90	9.82	0.40	3.3%	144.7	1,773	1,001	37%	2.14	1.67	0.83	5.0	6.4	12.8	3.34	3.2	57%	32%	28%	(2.9%)	11.50
SU	CTL	Catalyst Paper	Dec.31	3.25	4.26	2.40	0.00	0.0%	214.6	697	483	46%	(0.35)	(0.22)	0.04	n/a	n/a	81.3	4.75	0.7	(8%)	(5%)	2%	(7.7%)	3.00
SU	TBC	Tembec[3]	Sep.30	1.05	7.40	0.79	0.00	0.0%	85.6	90	80	68%	(1.98)	(3.87)	(0.70)	n/a	n/a	n/a	9.53	0.1	(17%)	(45%)	(21%)	(4.8%)	1.00
SO	WFT	West Fraser	Dec.31	39.20	54.87	38.30	0.56	1.4%	42.7	1,675	1,123	27%	4.67	1.87	2.72	8.4	21.0	14.4	43.61	0.9	10%	4%	11%	51.9%	59.00
		Group Average						0.9%				40%				16.6	21.4	37.8		1.0	6%	(2%)	7%	18.2%	
Income Trusts (C$)													Distributable Cash			Yield									
SU	PRT.UN	PRT Regeneration Fund	Dec.31	10.01	11.57	9.08			7.6	76		21%	$0.82	$0.88	$1.01	8.2%	8.8%	10.1%						15.0%	10.50
SU	SFK.UN	SFK Pulp Fund[4]	Dec.31	4.75	7.90	2.85			59.3	281		16%	$0.83	$0.28	$0.51	17.5%	5.9%	10.7%						(15.8%)	3.50
SU	TWF.UN	TimberWest	Dec.31	14.04	16.25	12.10			77.3	1,085		22%	1.28	0.85	1.08	9.1%	6.1%	7.7%						2.1%	13.00
		Group Average										19.5%				11.6%	6.9%	9.5%						0.4%	

1 Return calculations exclude applicable costs, including interest and commissions.

2 Reports in U.S. dollars and trades on the TSX. Data including price, dividend, market cap, float and target are in C$; all other figures are in US$.

3 EPS estimates are on a calendar-year basis.

4 Distributable cash for 2002 and 2003 as a whole reflects Abitibi subordination.

Source: Company reports and CIBC World Markets Inc.

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Bowater Inc. (9) (BOW-NYSE, US$26.84, Sector Outperformer)
Canfor Corporation (CFP-TSX, C$13.64, Sector Performer)
Cascades Inc. (2a, 2e, 2g, 7, C16) (CAS-TSX, C$9.97, Sector Outperformer)
Catalyst Paper Corporation (2a, 2e) (CTL-TSX, C$3.30, Sector Underperformer)
Domtar Inc. (2a, 2c, 2d, 2g, 7) (DTC-TSX, C$6.02, Sector Outperformer)
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PRT Forest Regeneration Income Fund (2g, 7) (PRT.UN-TSX, C$10.01, Sector Underperformer)
SFK Pulp Fund (2g) (SFK.UN-TSX, C$4.80, Sector Underperformer)
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SP	Sector Performer	Stock is expected to perform in line with the sector during the next 12-18 months.
SU	Sector Underperformer	Stock is expected to underperform the sector during the next 12-18 months.
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R	Restricted	CIBC World Markets is restricted*** from rating the stock.
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O	Overweight	Sector is expected to outperform the broader market averages.
M	Market Weight	Sector is expected to equal the performance of the broader market averages.
U	Underweight	Sector is expected to underperform the broader market averages.
NA	None	Sector rating is not applicable.

**Broader market averages refer to the S&P 500 in the U.S. and the S&P/TSX Composite in Canada.
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(as of 03 Feb 2006)	Count	Percent	Inv. Banking Relationships	Count	Percent
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Sector Performer (Hold/Neutral)	392	47.6%	Sector Performer (Hold/Neutral)	183	46.7%
Sector Underperformer (Sell)	109	13.2%	Sector Underperformer (Sell)	53	48.6%
Restricted	13	1.6%	Restricted	13	100.0%

Ratings Distribution: Paper & Forest Products Coverage Universe

(as of 03 Feb 2006)	Count	Percent	Inv. Banking Relationships	Count	Percent
Sector Outperformer (Buy)	5	33.3%	Sector Outperformer (Buy)	4	80.0%
Sector Performer (Hold/Neutral)	5	33.3%	Sector Performer (Hold/Neutral)	2	40.0%
Sector Underperformer (Sell)	5	33.3%	Sector Underperformer (Sell)	3	60.0%
Restricted	0	0.0%	Restricted	0	0.0%

Paper & Forest Products Sector includes the following tickers: A, BOW, CAS, CFP, CTL, DTC, FPS, GP, IFP.SV.A, IP, LPX, NBD, TBC, WFT, WY.

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