



Innovation delivered.

PIMA 2005 Management Conference
Consolidation and Mergers in the Pulp and Paper Industry

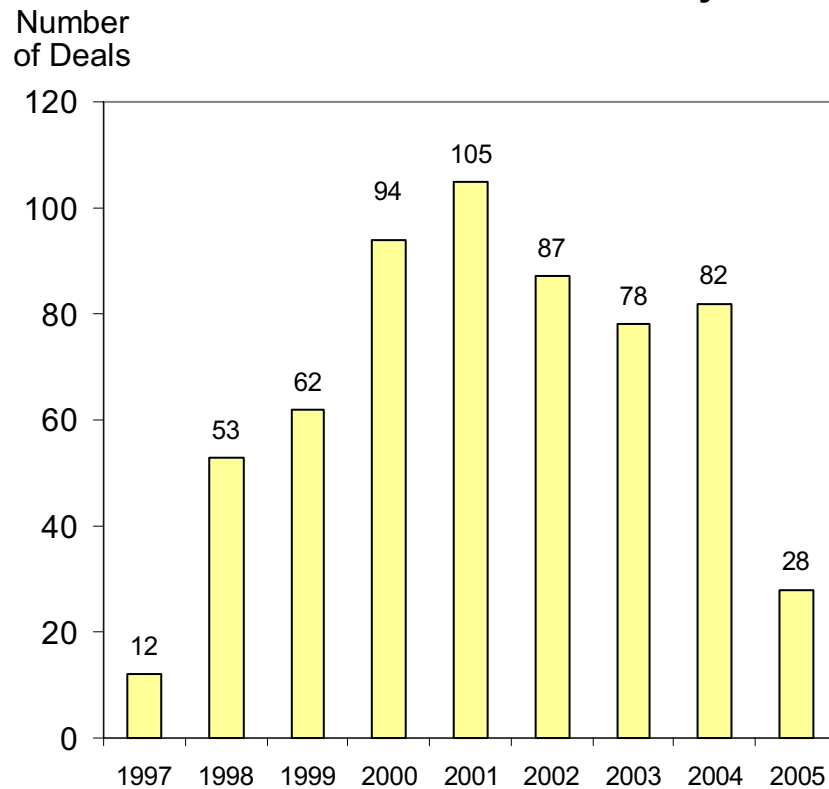
June 28, 2005

Discussion Topics

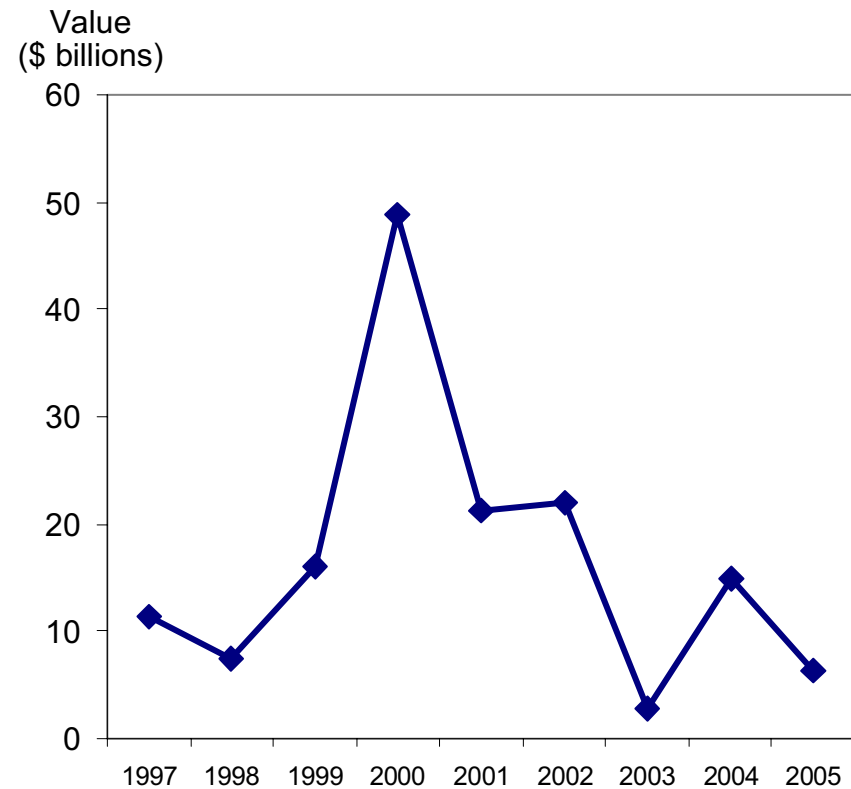
- M&A trends in the Forest Products Industry
- Impact of Sarbanes-Oxley and other industry trends
- Enterprise Performance Management concept and vision

Global M&A Activity – Forest Products Industry

Global Merger and Acquisition Activity in the Forest Products Industry



Total Deal Value



Source: Bloomberg

Disappointment of “Strategic” Acquisitions

- Myth of capacity rationalization
- Failure to realize expected synergies
- Misallocated capital
- Industry “insiders” focused on organic growth in emerging markets
- Emergence of “Financial Buyers” versus “Strategic Buyers”

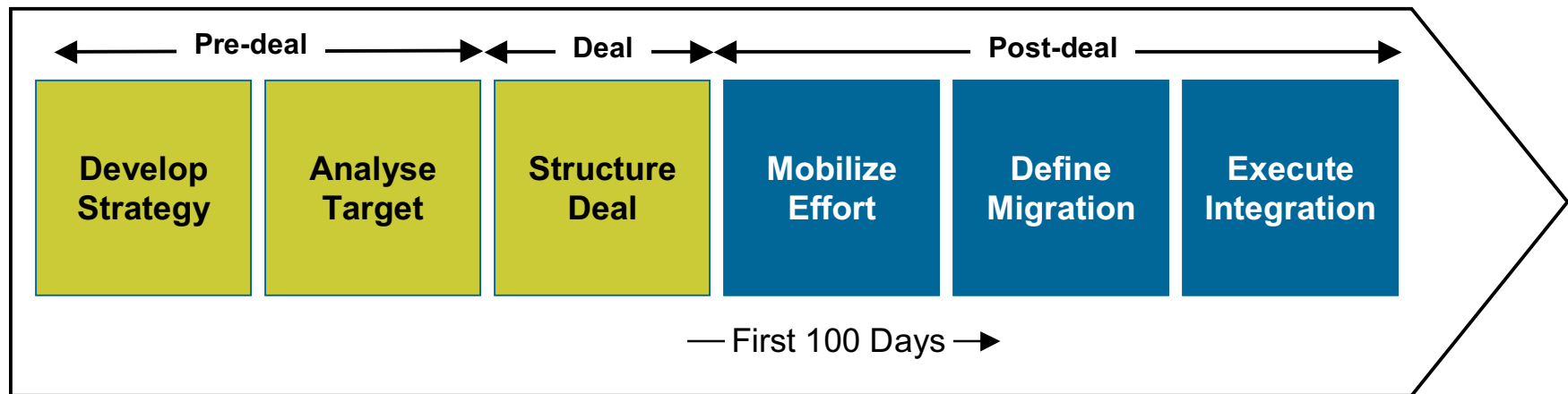
	STRATEGIC	FINANCIAL
COATED: \$/ton	Stora Enso/ Consolidated Paper \$1,875	Cerberus/ MeadWestvaco \$825
UNCOATED: \$/ton	Domtar/ Georgia-Pacific \$1,215	Madison-Dearborn/ Boise \$605

Source: “The Holy Grail”, Mark Connelly, CSFB, February 2005

Financial Buyer - Focus on Cash Flow

- Understanding profit drivers (markets, customers, channels, products)
- Eliminating underperforming assets
- Controlling of pricing strategy and execution
- Re-allocating capital more efficiently
- Monetizing under-performing or over-valued assets

Deal Structuring Considerations



Increased Role of Process Model and Data Integrity

- Common Process Definition / Deployment
- Application of Data Standards
- Data Ownership / Governance
- Integrity of Transactional Systems / Cost Accounting
- Flexible Information Repository / Reporting

New Requirements - Sarbanes-Oxley

CEO and CFO Requirements

(Section 302)

- Responsibility for disclosure controls and procedures
- Evaluated control effectiveness and presented conclusions
- Have disclosed any significant control deficiencies and acts of fraud
- Have indicated significant changes in internal controls

Corporate Manager Requirements

(Section 404)

- Accept responsibility for company's internal controls over financial reporting
- Assess the evaluate the controls regularly
- Prepare a written annual assessment
- Verify assessment through independent outside auditors
- Disclose any material weaknesses in the controls

Expanded Due Diligence

Traditional Due Diligence

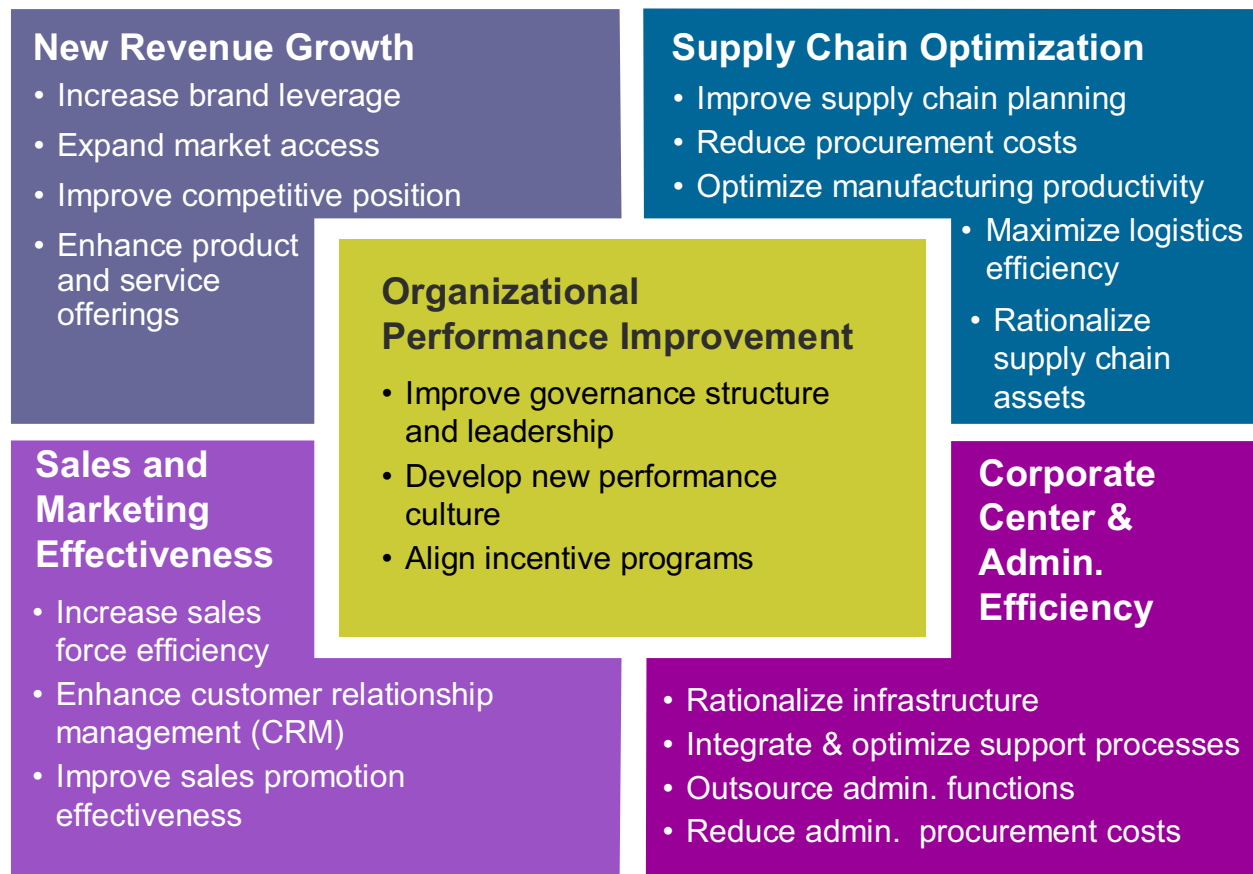
- Merger Synergies
- Risk Areas
- Management Capabilities
- Organizational Strength
- Cultural Fit
- Valuation
- Transaction Structure
- Integration Plan



Additional Requirements

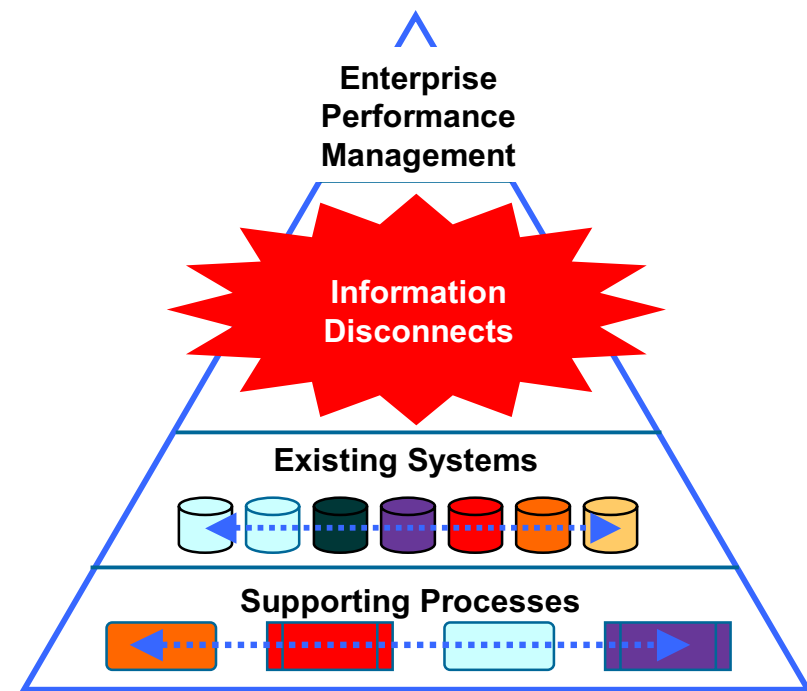
- Disclosure Controls
- Internal Controls
- Enhanced Audit Committee Responsibilities
- Auditor Independence
- Off-Balance Sheet Arrangements
- Loans to Executives and Directors
- Director Independence

M&A Value Creation Levers



Rapid Integration - Managing Complexity

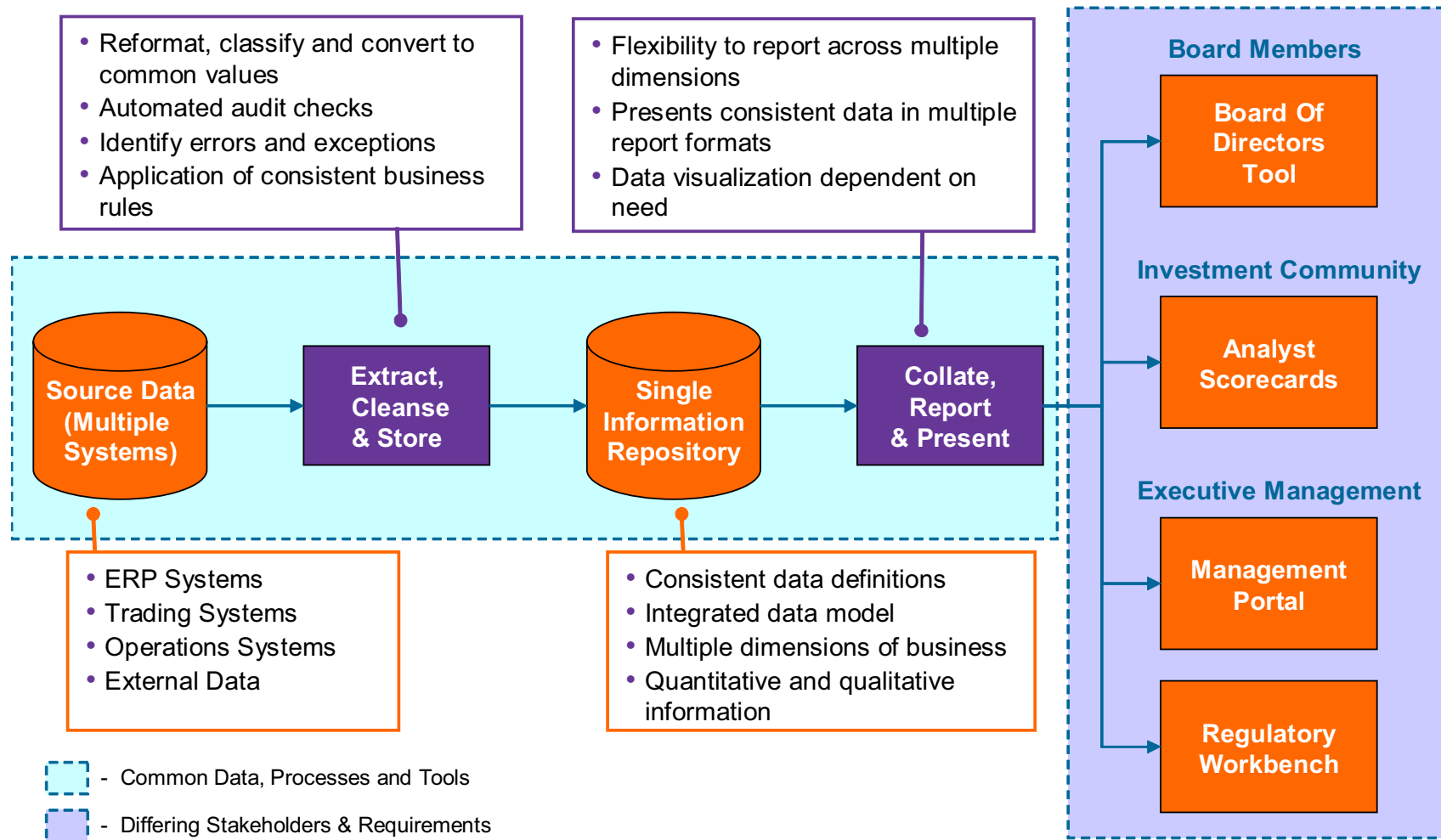
- Financial Infrastructure
- Supply Chain Assets
- Application and Integration Architecture
- Decision Making Processes



Vision: Enterprise Performance Management

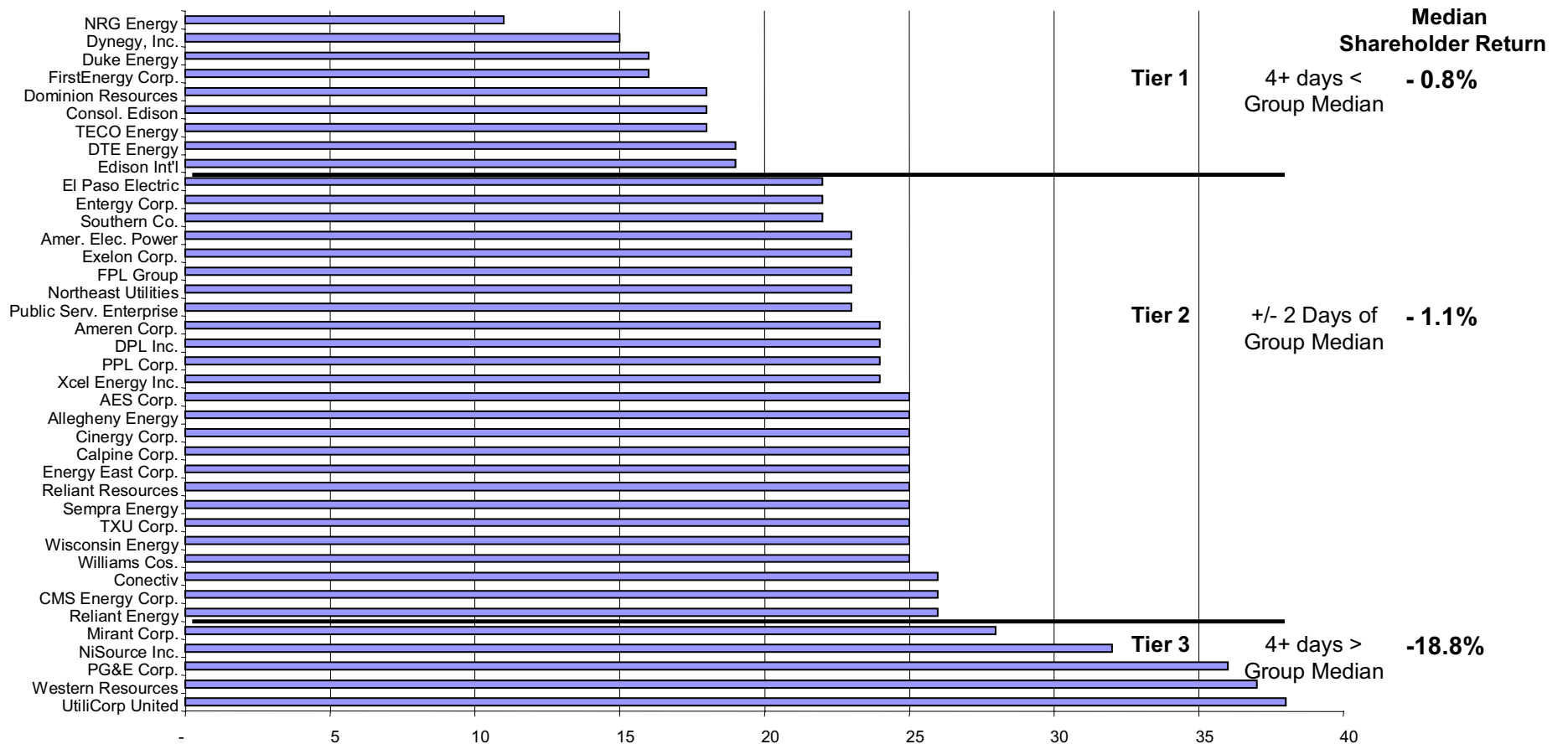
- Common business processes based on a simplified operating model
- Consistent use of information terms
- Clear data ownership and governance
- Reliable and stable transactional systems
- Accurate, efficient, and consistent collection and aggregation of information
- Consistent and flexible information across multiple reporting dimensions

Integrated Information Delivery Solution



Value of Rapid Financial Disclosure

Number of Calendar Days From Quarter End to Press Release ¹



¹ Source: Company Web Site, Yahoo Finance

² Source: Value Line, Accenture Analysis. Days are for the most recent non fiscal year end quarter. Median Total Shareholder Returns are for period Mar 01 to Feb 02.

Summary

- M&A activity in the Forest Products Industry is being driven from a new set of goals and objectives brought about by the onset of “financial” buyers
- Demands on information transparency and financial reporting are increasing
 - New perspectives on creating value from M&A transactions
 - SOX requirements
 - Exit strategy for private equity – tap public markets
- Enterprise Performance Management solutions can integrate information delivery to improve decision making and guide business improvement efforts
- Enterprise Performance Management solutions can help companies move from compliance reporting to creating competitive advantage