

The University of Alberta
Your Future is Growing

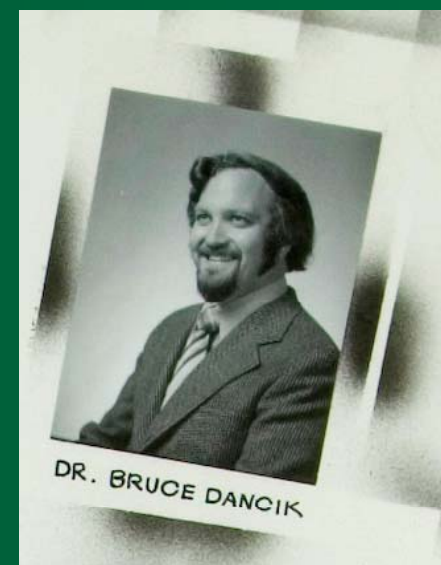
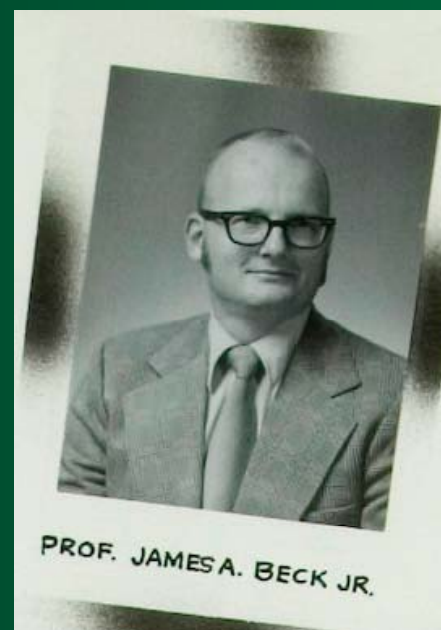
Craig Neeser
Senior Vice President, International Group
Weyerhaeuser Company
March 8, 2007

Future Industry Icons?



University of Alberta, Class of '76

Has it been 30 years?



So Much Has Changed

Fortune 500

	<u>Rank in 1977</u>	<u>Rank in 2005</u>
Wal-Mart Stores	not in top 100	1
Citigroup	not in top 100	8
American Int'l Group	not in top 100	9
Hewlett-Packard	not in top 100	11
Berkshire Hathaway	not in top 100	12
Home Depot	not in top 100	13
Verizon Communications	not in top 100	14

Largest pulp & paper companies in the world

1977

1. Georgia Pacific
2. International Paper
3. Weyerhaeuser
4. Champion
5. Bowater
6. Reed International
7. Boise Cascade
8. Crown Zellerbach
9. St. Regis
10. Mead

2005

- International Paper
- Stora Enso
- UPM
- Georgia Pacific
- Weyerhaeuser
- Oji Paper
- Nippon Paper
- Smurfit-Stone
- Svenska Cellulosa (SCA)
- Norske Skog



Canada's largest pulp & paper companies 1977

1. ~~MacMillan Bloedel~~
2. Abitibi
3. Domtar
4. ~~Consolidated Bathurst~~
5. ~~BC Forest Products~~
6. ~~Procter & Gamble~~
7. ~~Great Lakes~~
8. ~~Canadian Cellulose~~



Canadian headlines - 2006

“Abitibi and Bowater Merge to Create Forest Giant”

“**More Mills Shuttered in Ontario**”

“Weyerhaeuser and Domtar Create Paper Leader”

“*Quebec pumps \$733M into flagging forestry sector*”

“West Fraser buys 13 sawmills in US from Int. Paper”

“**Softwood Deal a Triumph for Harper**”



Boardroom Simulation:

In a rapidly changing world,
and in an industry that
requires large amounts of
capital for long-term
investment,

where would you invest?



Project A: In Canada

- Industry ROCE is < 4% over the last decade
- Fiber supply uncertain due to pine beetle infestation and unresolved Aboriginal claims
- Instability due to long-standing softwood dispute with U.S.
- Cost structure among highest in the world
- Butgreat fiber, world-class workforce, certified forests Coast to Coast..... and the world loves wood.



Project B: In South America

- Fastest growing fiber in the world
- Tax incentives for capital investments
- Low labor costs
- Unfamiliar political climate
- Limited infrastructure – non industrial culture
- Certification?
- Proximity to markets?

Project B: South America

6 Year Old Pine



Project B: South America



Project B: South America



A 16 Year Old Stand:
"Peelers" Ready to Harvest

Fast Growth in China



A 3 Year Old
Eucalyptus Tree



Impact of changing technology

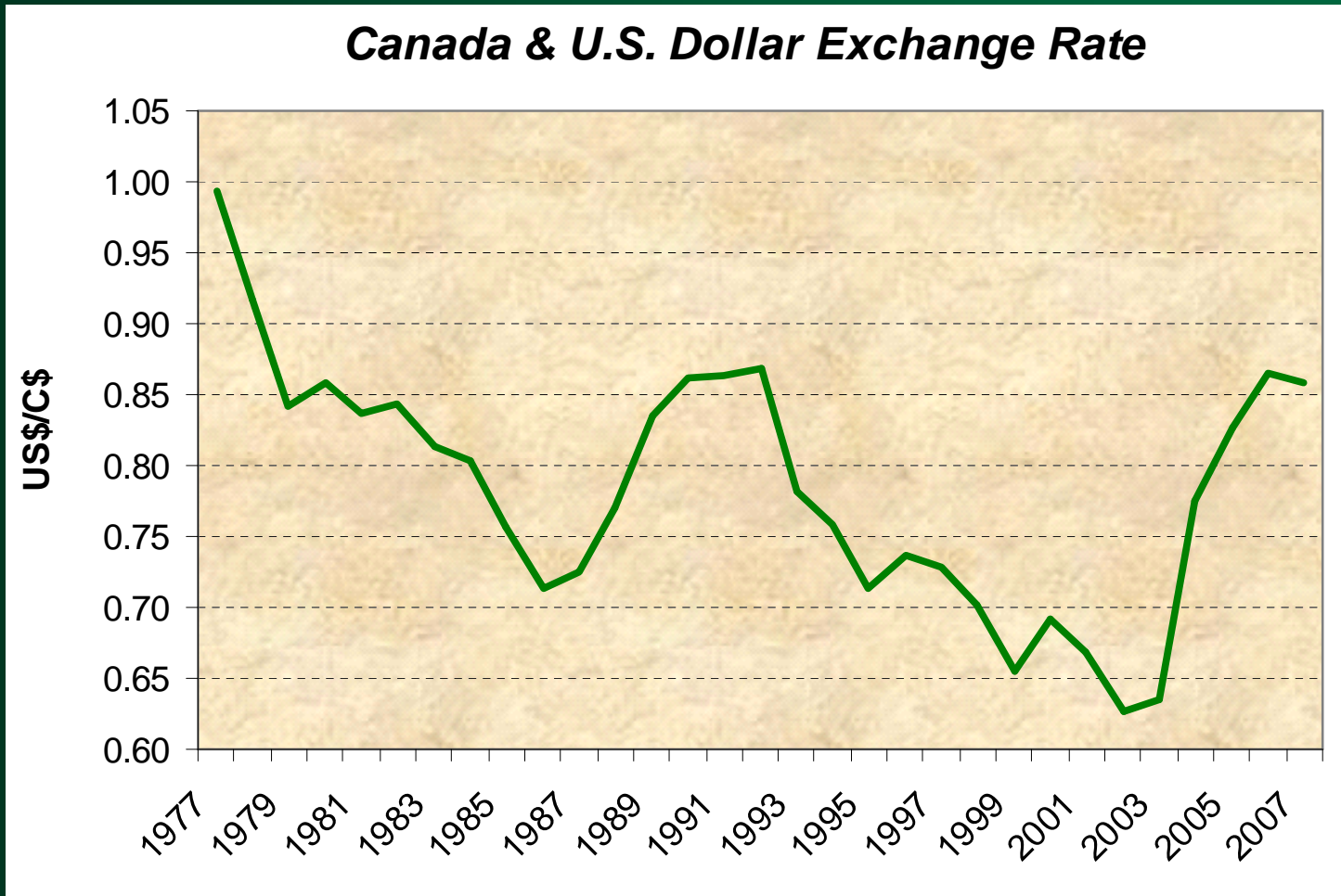
- Low dollar masked Canadian industry weakness, while the world was changing around us.
 - Hardwood pulp
 - Engineered wood
 - Fast growth plantations
- Substitution – wood for wood – plastics / steel / cement



Where to Invest?

- Key Issues
 - Target markets and products
 - Competitive advantages
 - Capital is fluid and will flow to the highest return
 - Technological innovation will be critical to the future of Canada's Forest Products Industry

A 25 year decline in the Canadian dollar





What future for Canada's forests?

"Through a combination of government apathy, lack of capital investment, management/labor problems, and shifting global demand, Canada's forest products industry is faltering and now faces the challenge of its life."

-- Daniel Veniez

PaperAge

January/February 2007



Impact of changing technology

"I think there is a world market for about five computers."

- Thomas J. Watson, Founder, IBM, 1943



Impact of changing technology

"640K is enough for anyone. "

-- Bill Gates, Microsoft, 1981

A Canadian Success Story



What do you see?



1977 = pulp, paper, 2x4s and plywood



2007 = energy, pharmaceuticals,
chemicals, carbon sequestration,
recreation, what else have we not
seen yet



Shift happens!

*"The top 10 jobs that will be in demand in 2010
didn't exist in 2004."*

-- Richard Riley

Former U.S. Secretary of Education



Shift happens!

"We are currently preparing students for jobs that don't yet exist, to solve problems we don't even know are problems yet."

-- Karl Fisch



Your challenge, your future

- Be bold and flexible – be a problem solver
- Focus on analytical skills
- Think Global

And most of all:

- Don't just improve on today
- Create, inspire and unleash . . . be limited only by your imagination