

Press release – For Immediate Release

Seattle, USA. July 2, 2008

Sawlog prices in Europe have grown faster than the world average the past two years

Seattle, USA. July 2, 2008. Softwood sawlog prices have gone up faster in Europe than in any other region of the world the past two years, according to Wood Resource Quarterly (WRQ). Because wood costs account for 65-75% of the production costs when producing softwood lumber, they are the key factor determining a regions or company's competitiveness.

In the 1Q/08, softwood sawlog prices increased in Central and Eastern Europe, while they fell in Finland, Sweden and the Baltic States as compared to the previous quarter. The price reduction in northern Europe this past winter was a break from a long upward price trend.

During the past two years, log prices in Europe have gone up 40-60% in US dollar terms both as a result of higher costs in the local currency and because of a weaker US dollar. The major reasons for the price increases in local currencies include the reduction in log exports from Russia, higher fuel costs and strong lumber markets the past few years. In 2007, the total softwood lumber production in Europe was more than 9% higher than in 2005, with the biggest increases occurring in Germany, the Czech Republic and Poland.

Sawmills in Europe have the highest wood costs in the world, with all major countries being above the global average, while sawmills in Latin America, North America and Oceania continue to have substantially lower production costs. Sawmills in Sweden and Poland have the lowest wood costs in Europe, while Germany and Austria continue to be the highest cost markets with costs more than 40% above the world average.

In 1Q/08, the WRQ Global Softwood Sawlog Price fell for the first time in almost three years. The Index, which is based on sawlog costs delivered to sawmills in 20 key regions around the world, reached an all-time record high of \$91.85/m³ in the 4Q/07, but fell slightly in the 1Q/08 because of lower log prices in North America and the Nordic countries. The global average sawlog price has been fluctuating between \$55/m³ and \$75/m³ over much of the past 13 years. However, in 2006, this pattern changed and the price has increased steadily from \$73/m³ to \$92/m³ in just two years.

Another noteworthy development has been the discrepancy between low-cost and high cost wood markets. It has long been anticipated that wood raw-material costs in different regions would converge towards a global average. This prediction has not been realized. In the mid-1990's, the difference between the lowest cost region (Latin America) and highest cost region (Central Europe) was about US\$75/m³. In 2000, this cost disparity fell to \$45/m³, but has increased the past 8 years reaching a record \$88/m³ in the 1Q/08.

However, a number of factors point to a reduced wood cost difference between world regions over the next 12 months.

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 and biomass markets.

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