

Calculation Methodology

About this Document

This document describes the procedures Fastmarkets RISI uses to determine its Cost and Price Indices developed for Fastmarkets RISI's Index Builder. This methodology is fixed, transparent, and freely available on the Fastmarkets RISI website for public review.

This document contains the following sections:

- Index Builder Overview
- Data Sources
- Calculation Methodology

Index Builder Overview

Fastmarkets RISI's Index Builder generates retroactive Price Indices and Cost Indices based on Fastmarkets RISI's proprietary price assessments and cost benchmarking database.

- Price Index reports are based on the market price of materials.
- Cost Index reports are based on the cost to produce the materials.

Costs for converting, overhead and profit are fixed over time. Changes in transportation costs are not reflected.

Data sources

Fastmarkets RISI Index Builder creates Cost and Price Indices based on Fastmarkets RISI's own proprietary data. Price Indices are based on Fastmarkets RISI's price assessments of forest products commodities as compiled by Fastmarkets RISI's global team of price reporters. Price assessments are compiled in keeping with Fastmarkets RISI's published methodology documents, which can be found on Fastmarkets RISI's website at risi.com/price-methodology.

If there is no assessment of the required grade in the required region, Fastmarkets RISI will use a similar grade or nearby region as a proxy to be able to produce the Index.

Cost Indices are based on data contained in Fastmarkets RISI's Analytical Cornerstone Cost Benchmarking Tool. Analytical Cornerstone produces Cash Cost reports on a regional, company and mill basis.

Cash Manufacturing Costs for each mill and machine are estimated using a mass and energy balance approach that incorporates data drawn from publicly available sources and supplemented by surveys and interviews where required. This bottom-up approach results in a high level of transparency which enables customers to more effectively compare because they have a clear understanding of the assumptions supporting the results.

Calculation Methodology

Price Indices

Index Builder Price Indices are calculated in the following way:

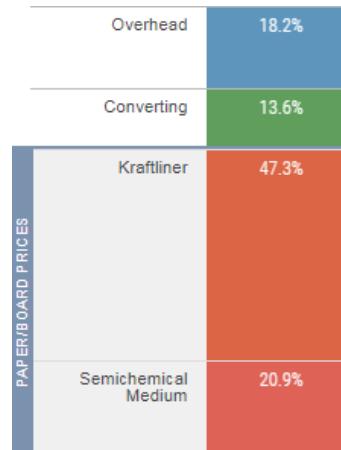
Step 1

User sets the parameters for the index by choosing:

- region
- cost drivers (e.g. Kraftliner 70% and Semicontaminated Medium 30%)
- cost drivers at 65%, converting 15% and overhead/profit 20%)
- cost basis (company, mill or regional average)
- start date
- and contract cost at the start date

Step 2

Index Builder generates an index based on parameters in step 1 with cost drivers represented as Fastmarkets RISI price assessments (e.g. Kraftliner and Semicontaminated Medium)



Step 3

Index Builder calculates the changes in the index from the start-month to current month using the monthly percentage change in prices of cost drivers selected.

Cost Indices

Fastmarkets RISI Cost Indices are calculated in the following way:

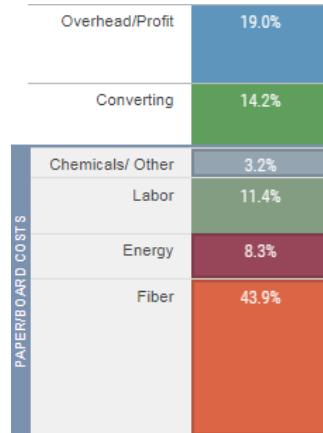
Step 1

The Index Builder user sets the parameters for the index by choosing:

- region
- product
- cost drivers (e.g. kraftliner 70% and semi-chemical medium 30%)
- substrate 65%, converting 15% and overhead/profit 20%)
- cost basis (company, mill or regional average)
- start date
- and contract cost at the start date

Step 2

Index Builder generates an index based on parameters selected in step 1 with cost drivers represented as Fastmarkets RISI cash cost estimates (e.g. Fiber, Energy, Labor, Chemicals/Other).



Step 3

Index Builder calculates the changes in the index from the start-month to current month using the monthly percentage change in prices of the relevant underlying commodities (i.e. pulp, recovered paper, electricity etc.)

For more information, please visit risi.com/indexbuilder

DISCLAIMER - IMPORTANT PLEASE READ CAREFULLY

This Disclaimer is in addition to our Terms and Conditions as available on our website and shall not supersede or otherwise affect these Terms and Conditions.

Prices and other information contained in this publication have been obtained by us from various sources believed to be reliable. This information has not been independently verified by us. Those prices and price indices that are evaluated or calculated by us represent an approximate evaluation of current levels based upon dealings (if any) that may have been disclosed prior to publication to us. Such prices are collated through regular contact with producers, traders, dealers, brokers and purchasers although not all market segments may be contacted prior to the evaluation, calculation, or publication of any specific price or index. Actual transaction prices will reflect quantities, grades and qualities, credit terms, and many other parameters. The prices are in no sense comparable to the quoted prices of commodities in which a formal futures market exists.

Evaluations or calculations of prices and price indices by us are based upon certain market assumptions and evaluation methodologies and may not conform to prices or information available from third parties. There may be errors or defects in such assumptions or methodologies that cause resultant evaluations to be inappropriate for use.

Your use or reliance on any prices or other information published by us is at your sole risk. Neither we nor any of our providers of information make any representations or warranties, express or implied as to the accuracy, completeness or reliability of any advice, opinion, statement or other information forming any part of the published information or its fitness or suitability for a particular purpose or use. Neither we, nor any of our officers, employees or representatives shall be liable to any person for any losses or damages incurred, suffered or arising as a result of use or reliance on the prices or other information contained in this publication, howsoever arising, including but not limited to any direct, indirect, consequential, punitive, incidental, special or similar damage, losses or expenses.

We are not an investment adviser, a financial advisor or a securities broker. The information published has been prepared solely for informational and educational purposes and is not intended for trading purposes

or to address your particular requirements. The information provided is not an offer to buy or sell or a solicitation of an offer to buy or sell any security, commodity, financial product, instrument or other investment or to participate in any particular trading strategy. Such information is intended to be available for your general information and is not intended to be relied upon by users in making (or refraining from making) any specific investment or other decisions.

Your investment actions should be solely based upon your own decisions and research and appropriate independent advice should be obtained from a suitably qualified independent adviser before any such decision is made.