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**BOWATER ANNOUNCES MEMORANDUM OF UNDERSTANDING WITH LEADING
CONSERVATION GROUPS TO PROTECT SOUTHERN FORESTS, CUMBERLAND
PLATEAU**

Accord Offers Model for Stewardship and Cooperation

ASHEVILLE, NORTH CAROLINA – Bowater Incorporated, NRDC (Natural Resources Defense Council) and the Dogwood Alliance jointly announced today the signing of an accord to enhance the protection of the forests of the Cumberland Plateau and other parts of the Southern United States. Steeped in cultural and environmental heritage, the Cumberland Plateau region is home to some of the most outstanding woodlands in North America.

The Memorandum of Understanding (MOU) signed today will help promote both healthy forests and a strong, sustainable forest products economy for generations to come.

“This MOU reflects Bowater’s long standing support and involvement in the protection of our forests by engaging in new areas of environmental stewardship,” said Arnold M. Nemirow, Chairman, President and Chief Executive Officer. “This understanding could not have been successfully achieved without the strong dedication and leadership of both the NRDC and Dogwood Alliance.”

“Our aim is to promote local jobs and strong communities while protecting the irreplaceable landscape of the Cumberland Plateau. This new MOU will prove that we can achieve both a robust economy and a healthy environment,” said John H. Adams, President of NRDC. “Bowater has shown tremendous leadership by committing to this effort. We commend them for their effort and hard work, and for taking forest stewardship into the 21st century.”

“This is a major win for hundreds of communities throughout Tennessee and the Southeastern U.S. that have been living with the impacts of paper production for generations and want strong communities and good jobs without sacrificing the landscape,” said Danna Smith, Policy Director for the Dogwood Alliance. “We hope other paper producers in the South will follow Bowater’s lead.”

"I want to congratulate Bowater, the Natural Resources Defense Council and the Dogwood Alliance for the understanding they have reached to strengthen conservation efforts on the Cumberland Plateau," said Governor Phil Bredesen. "This is welcome news and we encourage others - from individuals to partners in the public, private and not-for-profit sectors - to contribute to the preservation and protection of special places and natural resources in Tennessee."

Highlights of the MOU include:

- Bowater will end conversion of natural hardwood forests to pine plantations on all the land it owns in the United States within three years. Such conversions recently have totaled approximately 500 acres per year.
- Bowater will stop buying from third-party land owners pine fiber converted from natural forestland to pine plantations after 2007. The phase out will take place over the next three years.
- Bowater will expand its buffer zones during aerial applications of herbicides and fertilizers to a uniform 300 feet. The company will also formalize a public communication program of these activities.
- Bowater is in the process of studying approximately 7,000 acres of particularly sensitive areas (known as 'gulfs and coves') areas on its Tennessee lands to identify those of exceptional ecological, geological or historical significance. The company has committed to take appropriate measures to protect these areas as they are identified. While that study is underway, Bowater has agreed not to sell or harvest those areas.

Bowater (NYSE: BOW) has 12 pulp and paper mills in the United States, Canada and South Korea, including a facility in Calhoun, Tennessee that is one of the largest of its type in North America. Bowater also has 12 North American sawmills producing softwood lumber and two converting facilities, including one in Covington, Tennessee. Bowater's operations are supported by approximately 1.4 million acres of timberlands owned or leased in the U.S. and Canada and 30 million acres of timber cutting rights in Canada.

The Natural Resources Defense Council is a national, nonprofit organization of scientists, lawyers and environmental specialists dedicated to protecting public health and the environment. Founded in 1970, NRDC has more than 1 million members and online activists nationwide, served from offices in New York, Washington, Los Angeles and San Francisco.

Dogwood Alliance is a regional network of 70 grassroots organizations in 17 states and concerned citizens from across the nation sharing a mission of protecting Southern forests and communities by building broad-based, diverse support for ending unsustainable industrial forest practices.

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