



Canfor Corporation

Review of Q4 2004 Financial Results

February 8, 2005



Forward-Looking Statement Disclaimer

Certain statements in this presentation, including statements regarding future results and performance, are forward-looking statements based on current expectations. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected. Factors that could have a material impact on any future oriented statements made herein include, but are not limited to: general economic, market and business conditions; product selling prices; raw material and operating costs; foreign exchange rates; changes in law and public policy; ruling on countervailing and anti-dumping duties; and opportunities available to or pursued by Canfor.

This presentation makes reference to EBITDA (operating income before amortization), which Canfor considers to be a key indicator. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to net income or cash flows as determined in accordance with Canadian GAAP.



Notes

This presentation provides a review of the significant developments that have impacted Canfor's performance during the fourth quarter of 2004 relative to the previous quarter (Q3 2004) and the relative quarter in 2003 (Q4 2003).

On April 1, 2004 Canfor acquired the shares of Slocan Forest Products Ltd. Results for Q4 2004 and Q3 2004 fully reflect the acquisition. Q4 2003 include only Canfor results and therefore do not include legacy-Slocan results. Likewise, results for 2004 reflect the legacy-Slocan operations from April 1, 2004 onwards with comparative 2003 results only reflecting the legacy-Canfor operations.

Canfor reports in four business segments: Lumber, Panels (OSB, Plywood and Panel & Fibre), Pulp & Paper and Coastal Operations.

All figures are in Canadian dollars unless otherwise noted.

Q4 Review: Summary

| <i>\$ millions</i> | 2004 | 2003 | Q4 2004 | Q3 2004 | Q4 2003 |
|---------------------------|---------|---------|------------|------------|------------|
| Gross Sales | 4,341.9 | 2,662.6 | 1,149.9 | 1,228.9 | 656.4 |
| EBITDA | | | | | |
| Lumber | 499.4 | 41.4 | 44.4 | 212.4 | 15.6 |
| Panels | 129.5 | 7.8 | 22.6 | 38.5 | 1.0 |
| Pulp & Paper | 89.6 | 69.8 | 1.8 | 17.5 | 19.6 |
| Coast | 4.6 | 7.2 | (2.0) | (1.7) | (2.0) |
| Corporate | (46.4) | (19.2) | (4.6) | (8.4) | (7.0) |
| Total EBITDA | 676.7 | 107.0 | 61.9 | 258.3 | 27.2 |
| <i>EBITDA margin</i> | 16% | 4% | 5% | 21% | 4% |
| Operating income (loss) | 521.5 | (2.8) | 17.3 | 216.6 | (0.3) |
| Net income (loss) | 420.9 | 153.3 | 43.7 | 201.6 | 34.1 |
| <i>EPS - diluted</i> | \$3.22 | \$1.65 | \$0.30 | \$1.40 | \$0.37 |
| Lumber Price (U\$/mfbm) | 395 | 277 | 338 | 440 | 298 |
| Pulp Price (US\$/t) | 624 | 527 | 613 | 640 | 555 |
| OSB Price (US\$/msf 7/16) | 371 | 263 | 293 | 353 | 386 |
| Average US\$:C\$ | 0.768 | 0.714 | 0.819 | 0.765 | 0.760 |

Q4 Review: Impact of specific items

| | <i>\$ millions</i> |
|---|--------------------|
| Net income – as reported | 43.7 |
| Items not estimated (after-tax basis) | |
| • Unrealized gain on debt (\$36.1 million – pre-tax) | (36.1) |
| • Restructuring costs (\$12.9 million – pre-tax) | 10.2 |
| • Severance (\$1.6 million – pre-tax) | 1.3 |
| • Favourable duty adjustments (\$11.3 million – pre-tax) | (8.9) |
| • Pt McNeill and Maine write-offs (\$4.0 million – pre-tax) | 3.2 |
| Net income – revised | 13.4 |
| EPS – revised (1) | 0.09 |

(1) – based on 143.6 million shares

Q4 comments

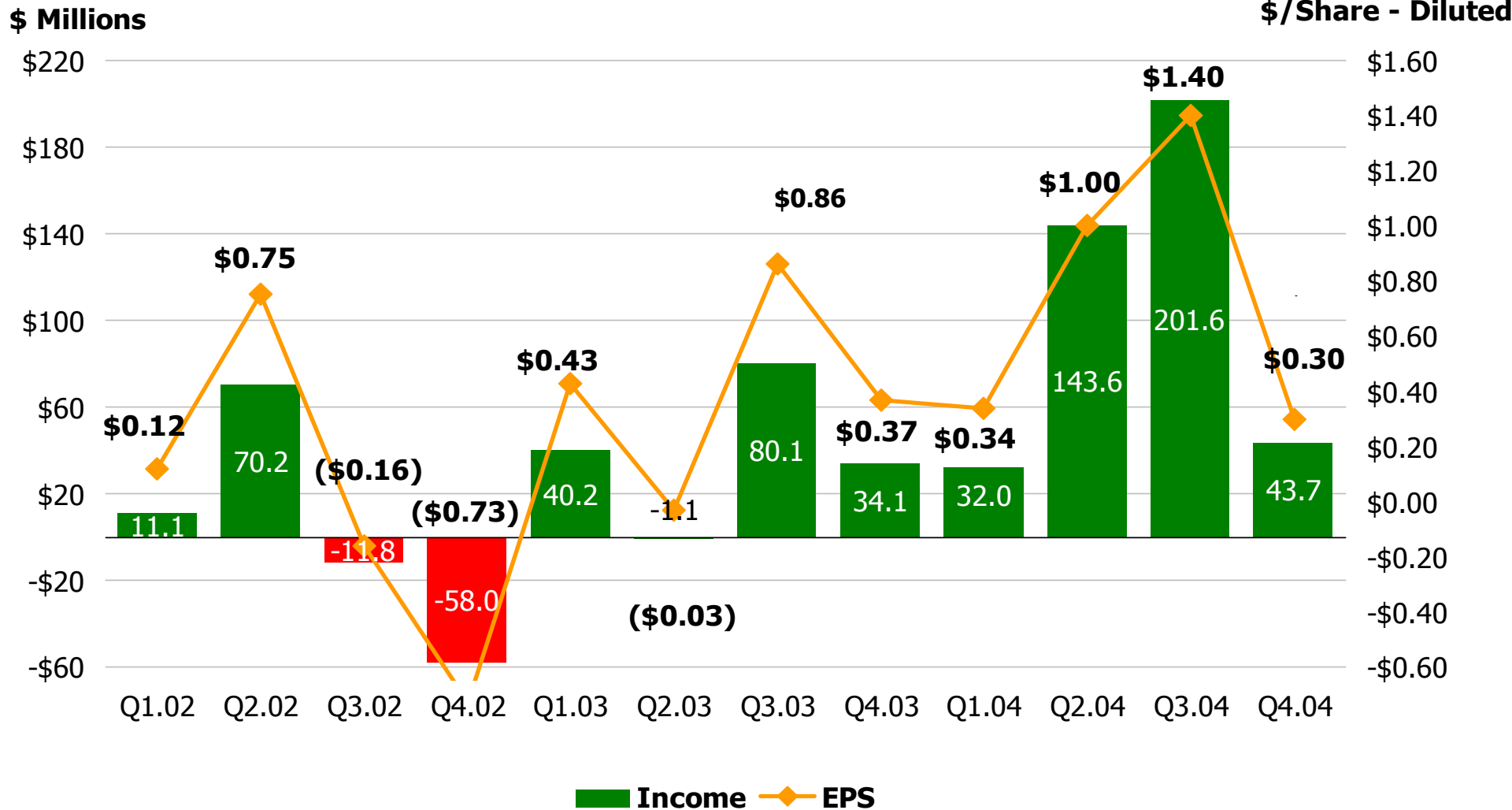
**Net income of \$43.7 million or \$0.30/diluted share
EBITDA \$61.9 million (\$65.1 million before adjustments)**

- Q4 2004 prices compared to:

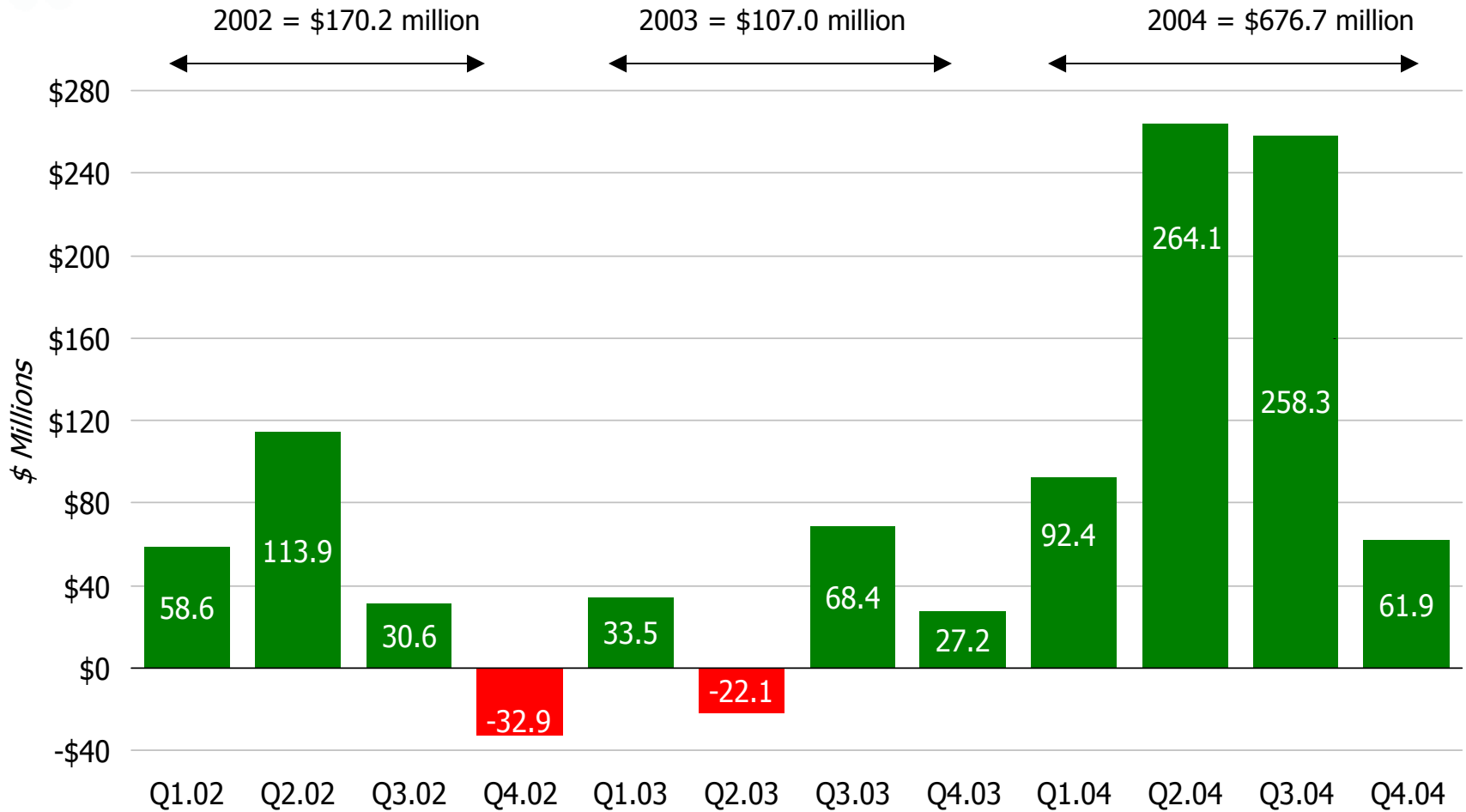
| | Q3 2004 | Q4 2003 |
|---------------|----------------|----------------|
| Lumber (US\$) | (23%) | 14% |
| OSB (US\$) | (17%) | (33%) |
| Pulp (US\$) | (4%) | 11% |
| FX (CAD\$) | 7% | 8% |

- US\$ 71 million duties paid in the quarter (US\$ 538 million since May/02)
- \$62 million negative impact from the strengthening Canadian dollar (Q3 over Q4)
- Lumber and pulp cash conversion costs were respectively 6% and 1% lower in Q4 than in Q3
- Lumber operations ran at capacity
- Pulp productivity ran below expectations
- PG Pulp curtailed 28 days for Co-gen project installation
- Panel operations higher costs impacted by capital project installations
- Coastal Operations operated 39 days due to weather and market conditions

Net Income and Earnings Per Share



EBITDA



Cash Flow

| <i>\$ millions</i> | 2004 | 2003 | 2002 |
|-------------------------------|-------------|-------------|-------------|
| EBITDA | 677 | 107 | 170 |
| Working capital changes | 60 | (30) | 73 |
| Other non-cash items | 40 | (7) | (37) |
| Operating cash flow | 777 | 70 | 206 |
| Mandatory cash | | | |
| Interest | (62) | (65) | (64) |
| Tax | (6) | (6) | (2) |
| Debt repayment | (270) | (53) | (50) |
| Debt proceeds | 312 | - | - |
| | (26) | (124) | (116) |
| Discretionary cash | | | |
| Acquisition/divestiture, net | (28) | 85 | 0 |
| Capital expenditures | (185) | (124) | (73) |
| Dividends/share buy-back | (2) | (11) | (21) |
| Other | 5 | 24 | (3) |
| | (210) | (26) | (97) |
| Inc (dec) in cash flow | 541 | (80) | (7) |

Summary of Financial Position

| | 2004 | 2003 |
|---|-------|-------|
| Ratio of current assets to current liabilities | 2.3:1 | 1.5:1 |
| Ratio of net debt to common shareholders' equity* | 11:89 | 35:65 |
| Total Debt (\$ millions) ** | 728.6 | 535.2 |
| Net Debt (\$ millions) ** | 244.9 | 592.6 |
| Return on Capital Employed (%) | 19.8 | 10.3 |
| Capital expenditures (\$ millions) *** | | |
| Quarter | 82.5 | 39.5 |
| YTD | 184.5 | 123.5 |

* convertible debentures are included in shareholders' equity in 2003

** excludes convertible debentures in 2003

*** includes OSB JV contributions

Lumber

| <i>\$ millions</i> | 2004 | 2003 | Q4 2004 | Q3 2004 | Q4 2003 |
|---------------------------------|-------------|-------------|--------------------|--------------------|--------------------|
| Gross Sales | 2,881.1 | 1,566.9 | 785.0 | 858.2 | 382.5 |
| EBITDA | 499.4 | 41.4 | 44.4 | 212.4 | 15.6 |
| <i>Margin %</i> | <i>17%</i> | <i>3%</i> | <i>6%</i> | <i>25%</i> | <i>4%</i> |
| Operating income | 411.6 | (10.0) | 18.2 | 187.8 | 1.9 |
| Lumber production (mmfbm) | 4,611.9 | 2,893.3 | 1,335.0 | 1,202.2 | 691.0 |
| Lumber shipments (mmfbm) | 4,627.8 | 2,942.0 | 1,365.6 | 1,214.6 | 702.4 |
| Average Lumber Price (U\$/mfbm) | 394 | 276 | 338 | 440 | 298 |
| Average Lumber Price (C\$/mfbm) | 516 | 387 | 413 | 575 | 392 |

Q4-2004 comparison to Q3-2004:

- Lumber prices in Cdn dollar were down 28%
- Lumber inventories decreased
- Favourable duty adjustments of \$11.3 million (pre-tax) in Q4-2004
- \$10.7 million of negative one-time adjustments in Q4 versus \$9.9 million of positive adjustments in Q3
- Cash conversion costs were 6% lower; stumpage was \$5 per cubic metre higher

Panels

| <i>\$ millions</i> | 2004 | 2003 | Q4 2004 | Q3 2004 | Q4 2003 |
|----------------------------------|-------------|-------------|--------------------|--------------------|--------------------|
| Gross Sales | 373.4 | 122.8 | 95.0 | 109.6 | 31.7 |
| EBITDA | 129.5 | 7.8 | 22.6 | 38.5 | 1.0 |
| <i>Margin %</i> | <i>35%</i> | <i>6%</i> | <i>24%</i> | <i>35%</i> | <i>3%</i> |
| Operating income | 121.0 | 5.3 | 19.8 | 35.9 | 0.5 |
| Production (000 Msf 3/8") | | | | | |
| Plywood | 356.6 | 175.6 | 104.9 | 98.6 | 43.4 |
| OSB | 384.8 | - | 132.6 | 126.4 | - |
| Shipments (000 Msf 3/8") | | | | | |
| Plywood | 343.6 | 172.3 | 96.3 | 93.0 | 36.2 |
| OSB | 379.6 | - | 126.5 | 120.5 | - |
| Ave OSB Price (C\$/msf 7/16" NC) | 483 | 365 | 358 | 461 | 533 |
| Ave Plywood Price (C\$/msf 3/8") | 532 | 458 | 444 | 548 | 475 |

Q4-2004 comparison to Q3-2004:

- Prices in Cdn dollars decreased: OSB by 22%; Plywood by 19%
- Conversion costs were 14% higher in OSB and 10% higher in plywood due to capital project installations

Pulp & Paper

| <i>\$ millions</i> | 2004 | 2003 | Q4 2004 | Q3 2004 | Q4 2003 |
|--------------------------------|-----------|-----------|------------|------------|------------|
| Gross Sales | 981.7 | 853.4 | 239.0 | 248.7 | 217.0 |
| EBITDA | 89.6 | 69.8 | 1.8 | 17.5 | 19.6 |
| <i>Margin %</i> | <i>9%</i> | <i>8%</i> | <i>1%</i> | <i>7%</i> | <i>9%</i> |
| Operating income | 45.1 | 25.7 | (10.1) | 6.3 | 9.2 |
| Production (000 mt) | | | | | |
| Pulp | 1,142.3 | 1,001.5 | 309.1 | 286.7 | 234.3 |
| Paper | 134.1 | 107.6 | 31.9 | 34.7 | 35.0 |
| Shipments (000 mt) | | | | | |
| Pulp | 1,114.2 | 993.5 | 312.8 | 275.2 | 260.8 |
| Paper | 139.8 | 108.9 | 31.0 | 34.1 | 30.6 |
| Average Pulp Price (U\$/tonne) | 624 | 527 | 613 | 640 | 555 |
| Average Pulp Price (C\$/tonne) | 812 | 739 | 748 | 837 | 730 |

Q4-2004 comparison to Q3-2004:

- Pulp prices in Cdn dollar were down 11%
- Co-gen project installation took 28.4 days of pulp production out at the PG mill
- Cash conversion costs were 1% lower

Coastal Operations

| <i>\$ millions</i> | 2004 | 2003 | Q4 2004 | Q3 2004 | Q4 2003 |
|---------------------|-------------|-------------|----------------|----------------|----------------|
| Gross Sales | 105.7 | 119.5 | 30.9 | 12.4 | 25.2 |
| EBITDA | 4.6 | 7.2 | (2.3) | (1.7) | (2.0) |
| <i>Margin %</i> | <i>4%</i> | <i>6%</i> | <i>(7%)</i> | <i>(14%)</i> | <i>(8%)</i> |
| Operating income | (2.2) | 1.4 | (4.6) | (2.8) | (3.3) |
| Production (000 m3) | 1,312.2 | 1,257.5 | 423.5 | 211.2 | 292.8 |
| Shipments (000 m3) | 1,148.3 | 1,237.0 | 359.9 | 119.4 | 294.8 |

Q4-2004 comparison to Q3-2004:

- Operated for 39 days in Q4 versus 18 days in Q3
- Net sale prices realized were 12% lower in Q4
- Cash production costs were 18% lower in Q4



Canfor's quarterly results and replay of the conference call can be found at www.Canfor.com in the Investor Relations section

Questions:

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Canfor Corporation is a leading integrated forest products company that produces and supplies SPF Lumber, OSB, plywood, kraft pulp and paper to global markets. Its operations are primarily based in British Columbia, Alberta and Quebec. Canfor is listed on the Toronto Stock Exchange under the symbol "CFP".