



CANFOR CORPORATION

Quarter 2, 2009 Financial Performance Overview

Presented by:

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Forward-Looking Statements

- ④ The presentation and answers to questions today contain forward-looking statements which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. 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, interest rates, changes in law and public policy, the outcome of trade disputes, and opportunities available to or pursued by the Company.
- ④ For further details on these factors and our assumptions and applicable risks and uncertainties, please refer to Canfor Corporation's Annual Report for the year ended December 31, 2008.



Q2 2009 Review

- **Continued Depressed Housing Market and Weak Pulp Demand in Q2**
 - U.S. housing starts essentially flat vs. Q1, at 541,000 units SAAR
 - Lumber prices depressed as result of weak demand; Canadian sales values impacted by stronger CDN\$
 - Western SPF 2x4 #2&Btr price of CDN\$203/Mfbm, up 5% from Q1
 - Weak demand for pulp and printing papers resulting in lower pulp prices in Q2
 - CDN\$ NBSK pulp list prices down 10% from Q1
- **Reported Q2 Net Income of \$11 million (\$0.07 per share)**
 - Adjusted net loss of \$17 Million (\$0.12 per share), excludes:
 - Restructuring, mill closure and severance costs - \$8 million
 - Foreign exchange gain on US\$ debt and investments, net - \$20 million
 - Marked-to-market gains on derivative financial instruments - \$17 million
 - Inventory accounting adjustments re. seasonal drawdown of log inventories during spring break-up positively impacting results
- **Further Curtailments and Continued Cost Focus**
 - Continued significant market downtime in Q2 across lumber operations
 - Indefinite shuts of Radium, Rustad and Vavenby sawmills taking production close to 50% of capacity
 - Lumber unit manufacturing costs down 7% from Q1/09
 - Further cost reductions, productivity gains, as well as seasonal factors



Q2 2009 Review: One-Time Items Impacting Earnings

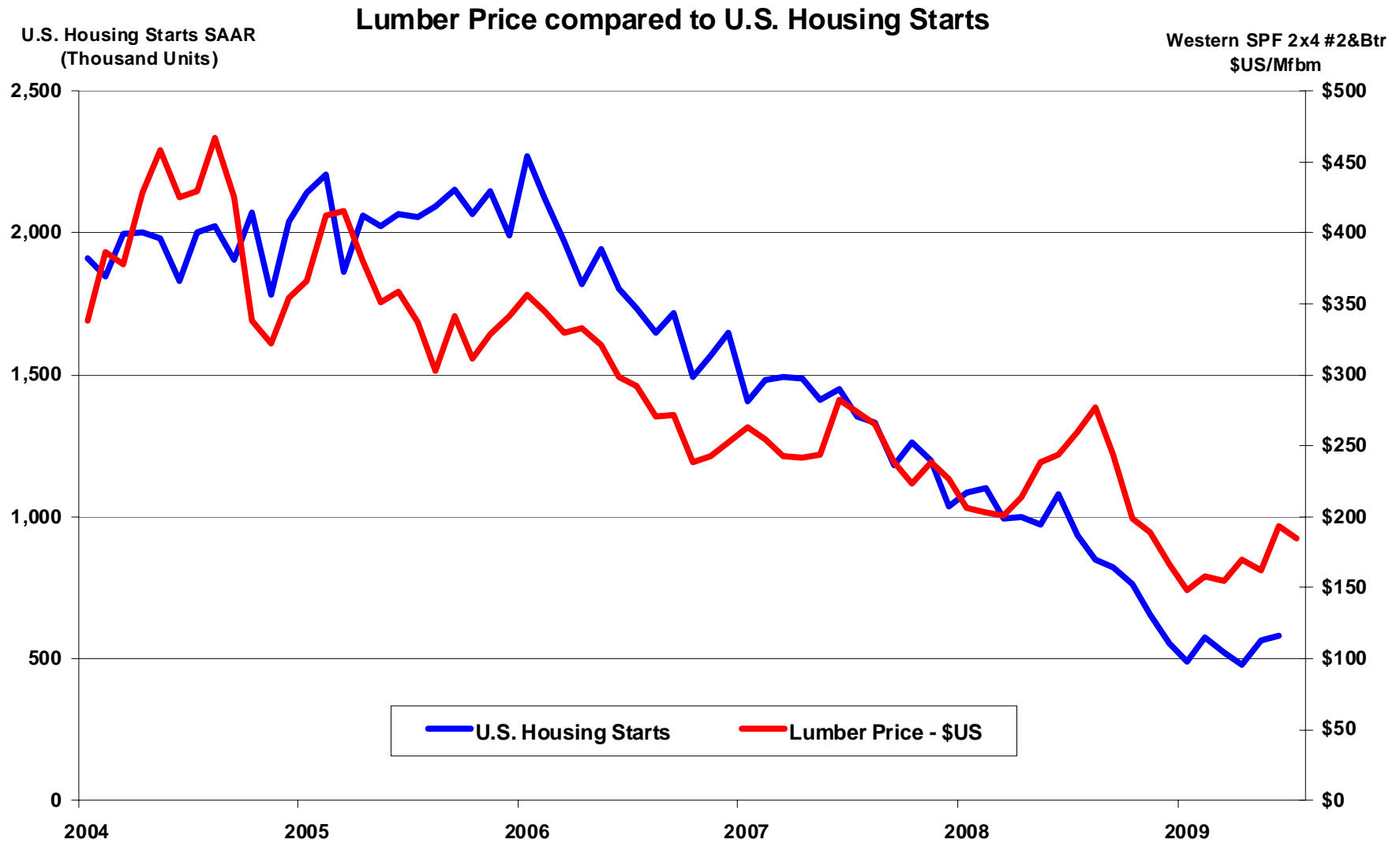
(millions of dollars, except for per share amounts)	Q2 2009		Q1 2009	
	\$	\$/Share	\$	\$/Share
Net income (loss), as reported	\$ 10.5	\$ 0.07	\$ (58.8)	\$ (0.41)
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Restructuring, mill closure and severance costs (note 1)	\$ 7.5	\$ 0.05	\$ 4.2	\$ 0.03
Foreign exchange (gain) loss on long-term debt and investments, net (note 2)	\$ (19.7)	\$ (0.14)	\$ 9.1	\$ 0.06
(Gain) loss on derivative financial instruments (note 3)	\$ (17.3)	\$ (0.12)	\$ 12.4	\$ 0.09
NCP mill fire, net (note 4)	\$ 2.0	\$ 0.01	\$ -	\$ -
Gain on mill property sale	\$ -	\$ -	\$ (37.8)	\$ (0.27)
Corporate income tax rate reductions	\$ -	\$ -	\$ (7.3)	\$ (0.05)
Net impact of above items	\$ (27.5)	\$ (0.19)	\$ (19.4)	\$ (0.14)
Net loss, as adjusted	\$ (17.0)	\$ (0.12)	\$ (78.2)	\$ (0.55)
Effect of inventory write-downs	\$ 36.5	\$ 0.26	\$ (20.9)	\$ (0.15)

Notes:

- 1 Q2 restructuring, mill closure and severance costs of \$11.4 million (pre-tax) principally related to the Company's decision in late May to indefinitely idle the Radium, Rustad and Vavenby sawmill operations.
- 2 Q2 FX gain on US\$ debt and investments of \$29.1 million (pre-tax) related to the stronger CDN\$.
- 3 Q2 gains on derivative financial instruments of \$25.7 million (pre-tax) principally reflecting gains on foreign exchange collars and forward contracts (\$27.3 million).
- 4 Q2 NCP mill fire (net) of \$3.0 million (pre-tax) relating to final adjustment to Company's NCP mill property insurance claim with FM Global.



History of US\$ Lumber Prices and U.S. Housing Starts





Sales and EBITDA Summary

(millions of dollars, except where otherwise stated)	Q2 2009	Q1 2009	Variance
Gross Sales	\$ 541.7	\$ 488.2	\$ 53.5
EBITDA by Segment:			
Lumber	\$ 10.6	\$ (68.8)	\$ 79.4
Pulp & Paper	\$ 5.7	\$ (5.0)	\$ 10.7
Unallocated & Other *	\$ (9.0)	\$ (10.8)	\$ 1.8
Total EBITDA	\$ 7.3	\$ (84.6)	\$ 91.9
Restructuring, mill closure and severance costs	\$ 11.4	\$ 6.4	\$ 5.0
Inventory write-downs (logs and finished product)	\$ (52.2)	\$ 29.8	\$ (82.0)
Total EBITDA adjusted for above items	\$ (33.5)	\$ (48.4)	\$ 14.9
Average Exchange Rate (US\$/CDN\$)	\$ 0.858	\$ 0.803	\$ 0.055
End of Period Exchange Rate (US\$/CDN\$)	\$ 0.860	\$ 0.794	\$ 0.066

* Effective January 1, 2009, the panels results are no longer reported separately as an operating segment.



Lumber: Q2 2009 vs. Q1 2009

(millions of dollars unless otherwise noted)	Q2 2009	Q1 2009	Variance
Sales	\$ 299.2	\$ 277.3	\$ 21.9
EBITDA	\$ 10.6	\$ (68.8)	\$ 79.4
Restructuring, mill closure and severance costs	\$ 9.6	\$ 2.5	\$ 7.1
Total inventory (recoveries) write-downs (logs and finished product)	\$ (43.1)	\$ 24.3	\$ (67.4)
EBITDA, adjusted for above items	\$ (22.9)	\$ (42.0)	\$ 19.1
Average SPF price in Cdn\$	\$ 203	\$ 193	\$ 10
Average SYP 2x4 #2 lumber price in US\$	\$ 236	\$ 235	\$ 1
Production – SPF lumber (MMfbm)	759	702	57
Production – SYP lumber (MMfbm)	59	62	(3)
Shipments – Canfor-produced SPF lumber (MMfbm)	765	685	80
Shipments – Canfor-produced SYP lumber (MMfbm)	69	67	2

EBITDA up \$19.1 million (before inventory write-downs and restructuring costs)

- Market conditions show slight improvement but remain weak:
 - Western SPF 2X4 #2&Btr prices up CDN\$10 per Mfbm, or 5%
 - Q2 SYP East 2x4 #2 US\$ prices substantially unchanged from Q1
- Q2 unit manufacturing costs improved from Q1 by 7%, reflecting continued cost focus as well as seasonally lower energy usage and lower natural gas prices



Pulp & Paper: Q2 2009 vs. Q1 2009

(millions of dollars unless otherwise noted)	Q2 2009	Q1 2009	Variance
Sales	\$ 232.4	\$ 205.3	\$ 27.1
EBITDA	\$ 5.7	\$ (5.0)	\$ 10.7
Average NBSK pulp list price delivered to U.S. – US\$	\$ 645	\$ 673	\$ (28)
Average NBSK pulp list price delivered to U.S. – CDN\$	\$ 752	\$ 838	\$ (86)
Production – pulp (000 mt)	299	270	29
Shipments – Canfor-produced pulp (000 mt)	344	277	67

EBITDA up \$10.7 million

- Lower sales realizations reflecting continued weak global demand and stronger CDN\$
 - NBSK pulp list prices (in CDN\$) down US\$86 per tonne, or 10%
- Increased production and shipment levels due to higher operating rates (reflecting less market downtime and seasonally higher productivity) and increased shipments to China
- Lower unit manufacturing costs resulting from lower fibre, chemical and natural gas costs, and higher production volumes