



CANFOR CORPORATION

# Quarter 3, 2009 Financial Performance Overview

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**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.



## Q3 2009 Review

- **Impact of Continued Weak U.S. Housing Market, Offset by Improved Pulp Markets**
  - U.S. housing starts remain at historically depressed levels
  - Modest lumber price increases due to reduced supply, partly offset by strengthening CDN\$
    - Western SPF 2x4 #2&Btr price of CDN\$209/Mfbm, up 3% from Q2
  - Tight supply and steady improvement in demand lead to higher NBSK and BCTMP prices
    - CDN\$ NBSK pulp list prices up 7% from Q2
- **Reported Q3 Net Loss of \$5 million (\$0.04 per share)**
  - Adjusted net loss of \$32 Million (\$0.23 per share), excludes:
    - Foreign exchange gain on US\$ debt and investments, net - \$20 million
    - Gains on derivative financial instruments - \$13 million
    - Restructuring, mill closure and severance costs - \$5 million
- **Continued Focus on Cash Conservation**
  - Further reductions in working capital, operating and overhead cash costs
  - Company operated at approx. 50% of capacity
  - Lumber unit manufacturing costs comparable with Q2/09
    - Further cost reductions and lower market stumpage reflecting depressed lumber prices





## Q3 2009 Review: One-Time Items Impacting Earnings

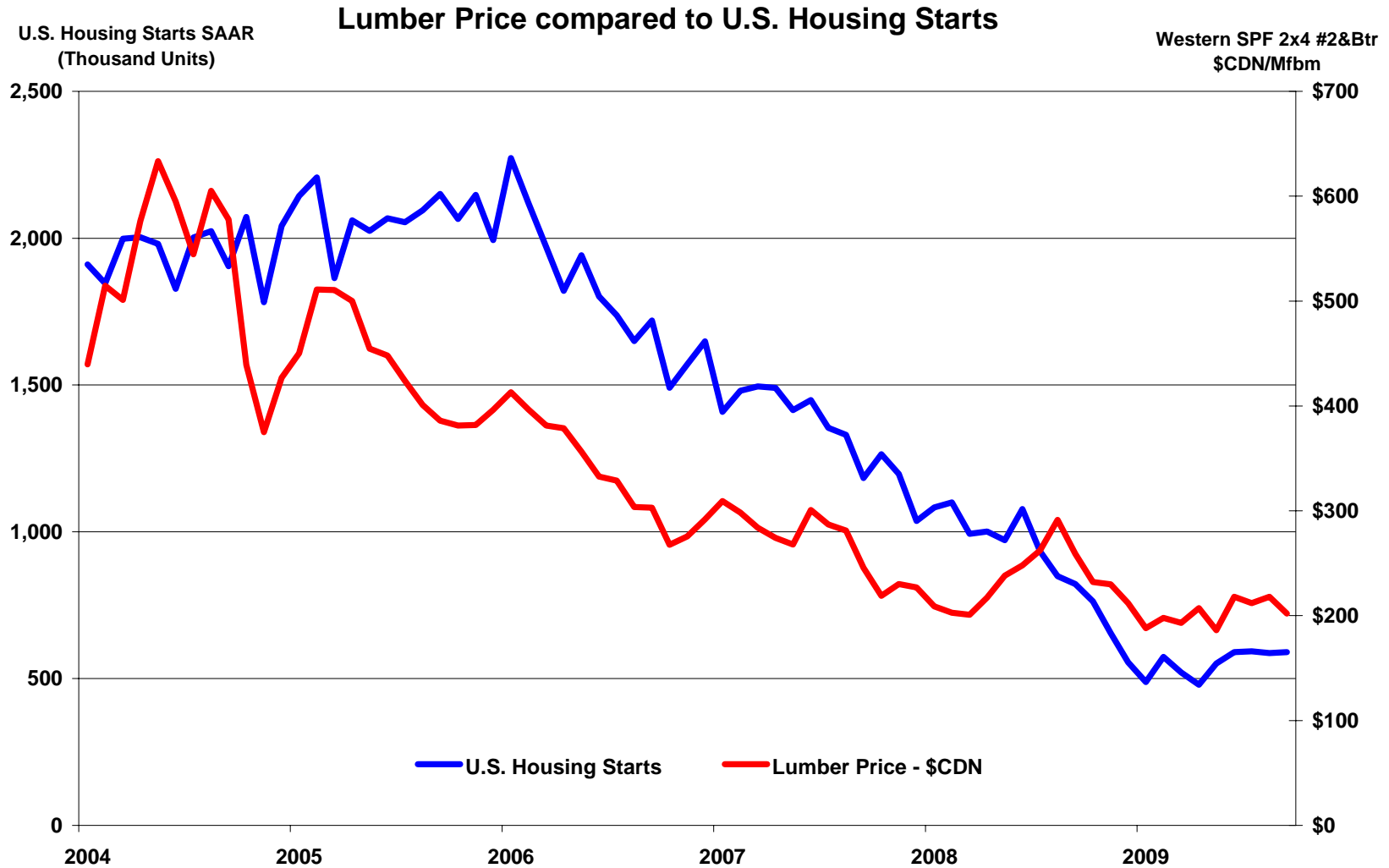
(millions of dollars, except for per share amounts)	Q3 2009		Q2 2009	
	\$	\$/Share	\$	\$/Share
Net income (loss), as reported	\$ (5.2)	\$ (0.04)	\$ 10.5	\$ 0.07
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on long-term debt and investments, net (note 1)	\$ (19.6)	\$ (0.14)	\$ (19.7)	\$ (0.14)
(Gain) loss on derivative financial instruments (note 2)	\$ (12.7)	\$ (0.09)	\$ (17.3)	\$ (0.12)
Restructuring, mill closure and severance costs (note 3)	\$ 5.3	\$ 0.04	\$ 7.5	\$ 0.05
NCP mill fire, net	\$ -	\$ -	\$ 2.0	\$ 0.01
Net impact of above items	\$ (27.0)	\$ (0.19)	\$ (27.5)	\$ (0.19)
Net loss, as adjusted	\$ (32.2)	\$ (0.23)	\$ (17.0)	\$ (0.12)
Positive (negative) impact of inventory write-down movements in reported results	\$ (1.3)	\$ (0.01)	\$ 39.2	\$ 0.27

Notes:

- 1 Q3/09 FX gain on US\$ debt and investments of \$26.2 million (pre-tax) related to stronger CDN\$.
- 2 Q3/09 net gains on derivative financial instruments of \$17.7 million (pre-tax) reflect gains on foreign exchange collars and forward contracts (\$16.8 million), diesel options and swaps (\$0.2 million) and lumber futures (\$2.2 million), partly offset by losses on natural gas swaps (\$1.5 million).
- 3 Q3/09 restructuring, mill closure and severance costs of \$6.2 million (pre-tax) related to ongoing costs of various indefinitely idled mills.



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





## Sales and EBITDA Summary

(millions of dollars unless otherwise noted)	Q3 2009	Q2 2009	Variance
Gross Sales	\$ 540.9	\$ 541.7	\$ (0.8)
EBITDA by segment:			
Lumber	\$ (14.6)	\$ 10.6	\$ (25.2)
Pulp & Paper	\$ 25.9	\$ 5.7	\$ 20.2
Unallocated and other *	\$ (4.3)	\$ (9.0)	\$ 4.7
Total EBITDA	\$ 7.0	\$ 7.3	\$ (0.3)
Restructuring, mill closure and severance costs	\$ 6.2	\$ 11.4	\$ (5.2)
Inventory adjustments (logs and finished product)	\$ 1.7	\$ (52.2)	\$ 53.9
Total EBITDA adjusted for above items	\$ 14.9	\$ (33.5)	\$ 48.4
Average Exchange Rate (\$US/\$CDN)	\$ 0.912	\$ 0.858	\$ 0.054
End of Period Exchange Rate (US\$/CDN\$)	\$ 0.933	\$ 0.860	\$ 0.073

\* Effective January 1, 2009, the Panels results/assets are no longer reported separately as an operating segment.



## Lumber: Q3 2009 vs. Q2 2009

(millions of dollars unless otherwise noted)	Q3 2009	Q2 2009	Variance
Sales	\$ 301.1	\$ 299.2	\$ 1.9
EBITDA, as reported	\$ (14.6)	\$ 10.6	\$ (25.2)
Restructuring, mill closure and severance costs	\$ 4.5	\$ 9.6	\$ (5.1)
Total inventory (recoveries) write-downs (logs and finished products)	\$ 2.5	\$ (43.1)	\$ 45.6
EBITDA, adjusted for above items	\$ (7.6)	\$ (22.9)	\$ 15.3
Average SPF 2x4 #2&Btr price in CDN\$	\$ 209	\$ 203	\$ 6
Average SYP 2x4 #2 lumber price in US\$	\$ 230	\$ 236	\$ (6)
Production - SPF lumber (MMfbm)	614	759	(145)
Production - SYP lumber (MMfbm)	71	59	12
Shipments - Canfor-produced SPF lumber (MMfbm)	715	765	(50)
Shipments - Canfor-produced SYP lumber (MMfbm)	66	69	(3)

### **EBITDA up \$15.3 million (before inventory adjustments and restructuring costs)**

- Improved Western SPF US\$ prices, offset by rising Canadian dollar and lower 2x4 SYP prices:
  - Western SPF 2X4 #2&Btr prices up CDN\$6 per Mfbm, or 3%
  - SYP East 2x4 #2 US\$ prices down US\$6, or 3% (some price gains seen for wider dimension lumber)
- Slight reduction in unit manufacturing costs in Q3 compared to Q2
  - Continued cost reduction efforts and lower market stumpage rates, offset by impact of lower production levels





## Pulp & Paper: Q3 2009 vs. Q2 2009

(millions of dollars unless otherwise noted)	Q3 2009	Q2 2009	Variance
Sales	\$ 227.2	\$ 232.4	\$ (5.2)
EBITDA, as reported	\$ 25.9	\$ 5.7	\$ 20.2
Total inventory (recoveries) write-downs (logs and finished products)	\$ (0.7)	\$ (5.5)	\$ 4.8
EBITDA, adjusted for above item	\$ 25.2	\$ 0.2	\$ 25.0
Average NBSK pulp list price delivered to U.S. - US\$	\$ 733	\$ 645	\$ 88
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 804	\$ 752	\$ 52
Production - Pulp (000 mt)	316	299	\$ 17
Shipments - Canfor-produced pulp (000 mt)	307	344	\$ (37)

### EBITDA up \$25.0 million (before inventory adjustments)

- Increased US\$ prices reflecting tight supply and a steady improvement in demand, partially offset by stronger CDN\$
  - NBSK pulp list prices (in CDN\$) up \$52 per tonne, or 7%
- Increased production reflected fewer scheduled maintenance outages and less market downtime. Lower shipments reflected inventory drawdowns and high volumes into China in Q2.
- Lower unit manufacturing costs resulting from higher production volumes and less maintenance spending, as well as lower fibre and chemical costs.