



CANFOR CORPORATION

Quarter 4, 2008 Financial Performance Overview

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Forward-Looking Statements

- 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, changes in law and public policy, the outcome of trade disputes, and opportunities available to or pursued by the Company.
- 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, 2007.



Q4 2008 Review

- **Economic Climate Significantly Impacts Q4 Results**
 - U.S. housing starts fall to lowest level on record (Dec. 08 – 550,000 units SAAR)
 - Demand and prices down sharply across all products

- **Q4 Net Loss of \$230 million (\$1.61 per share)**
 - Non-cash one-time charges of \$186 million (\$1.31 per share), includes:
 - Asset impairments - \$74 million
 - Translation of US\$ net debt - \$52 million
 - Marked-to-market losses on financial derivatives - \$50 million

- **Company Benefiting from Continued Focus on Cost Reduction and Cash Conservation**
 - Unit manufacturing costs held at Q3 levels, down 12% from Q4/07
 - Ensuring production matches weaker market demand
 - Indefinite closures of higher-cost operations mitigating losses
 - 1.2 million board feet of lumber production curtailed in 2008
 - Cash balance of \$362 million at end of 2008, debt to capitalization – 15%



Q4 2008 Review: One-Time Items Impacting Earnings

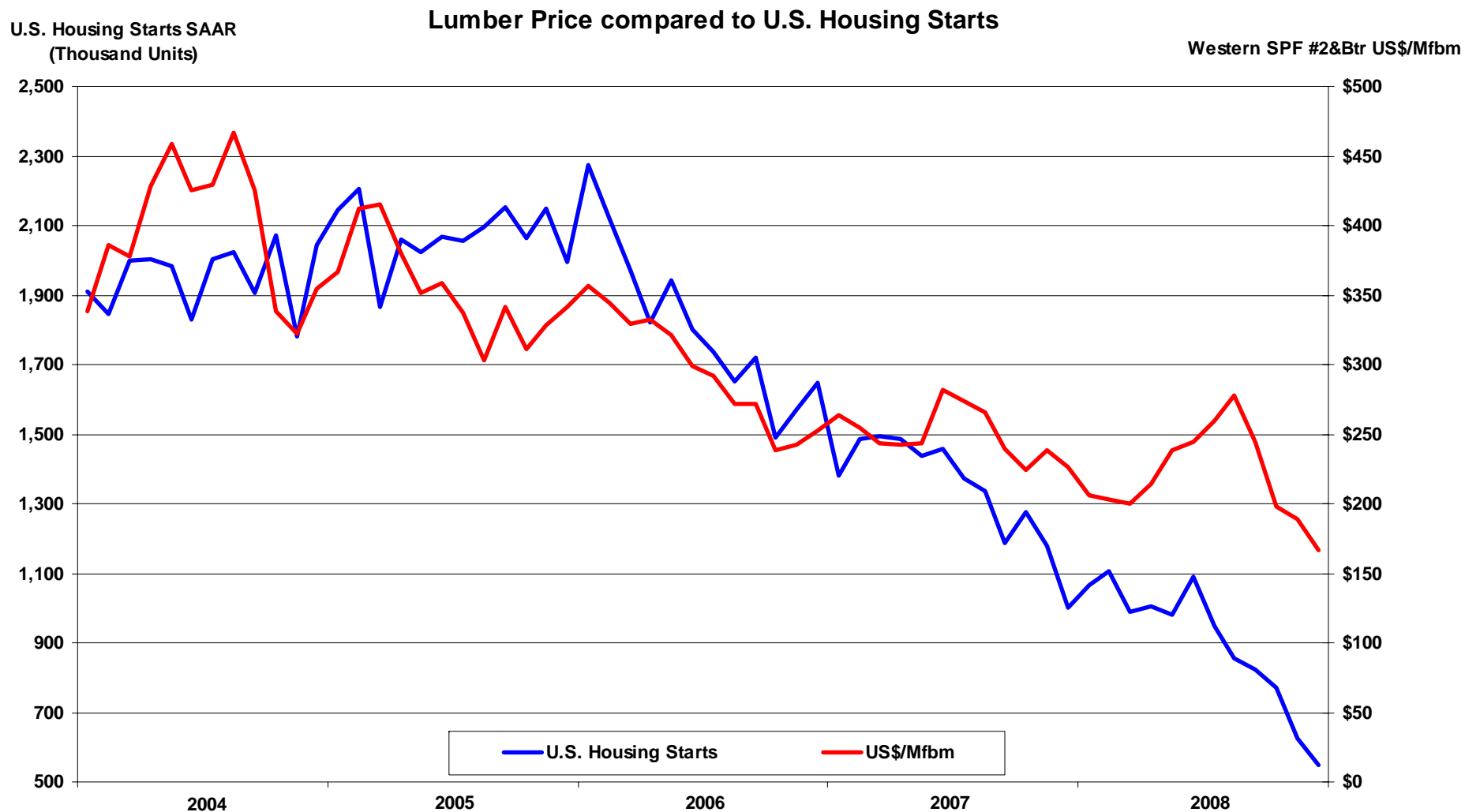
| (millions of dollars, except for per share amounts) | Q4 2008 | | Q3 2008 | |
|--|----------|----------|---------|-----------|
| | \$ | \$/Share | \$ | \$/Share |
| Net loss, as reported | \$ (230) | (1.61) | \$ (94) | \$ (0.66) |
| Non-operating / unusual items (after-tax, net of non-controlling interests) | | | | |
| Asset impairments (note 1) | \$ 74 | \$ 0.52 | \$ 57 | \$ 0.40 |
| Foreign exchange loss on translation of long-term debt and investments, net (note 2) | \$ 52 | \$ 0.37 | \$ 21 | \$ 0.15 |
| Loss on derivative financial instruments (note 3) | \$ 50 | \$ 0.35 | \$ 11 | \$ 0.08 |
| Restructuring, mill closure and severance costs (note 4) | \$ 7 | \$ 0.05 | \$ 4 | \$ 0.03 |
| New inventory accounting standard - logs (note 5) | \$ 3 | \$ 0.02 | \$ (3) | \$ (0.02) |
| Net impact of above items | \$ 186 | \$ 1.31 | \$ 91 | \$ 0.64 |
| Net loss, as adjusted | \$ (44) | (0.30) | \$ (4) | \$ (0.02) |

Notes:

- 1 Q4 asset impairment charge of \$99.6 million (pre-tax), comprised mostly of asset impairments at indefinitely idled mills and further ABCP impairment of \$10.2 million.
- 2 Q4 FX translation loss of \$72.0 million (pre-tax) resulting from the significant decline in the CDN\$.
- 3 Q4 losses on derivative financial instruments of \$81.7 million (pre-tax), related to foreign exchange collars and forward contracts (\$65.6 million), diesel options and swaps (\$11.3 million) and natural gas swaps (\$4.8 million).
- 4 Q4 restructuring, mill closure and severance costs of \$10.3 million (pre-tax) mostly related to October indefinite closure of Tackama plywood plant.
- 5 Q4 log inventory write-downs of \$3.9 million (pre-tax).



Sharp Deterioration in US\$ Lumber Prices and U.S. Housing Starts





Sales and EBITDA Summary

| (millions of dollars, except where otherwise stated) | Q4 2008 | Q3 2008 | Variance |
|--|------------|------------|------------|
| Gross Sales | \$ 588.7 | \$ 668.0 | \$ (79.3) |
| EBITDA by Segment: | | | |
| Lumber | \$ (24.1) | \$ 15.3 | \$ (39.4) |
| Panels | \$ (10.9) | \$ (0.1) | \$ (10.8) |
| Pulp & Paper | \$ 8.9 | \$ 45.1 | \$ (36.2) |
| Corporate | \$ (4.1) | \$ (5.2) | \$ 1.1 |
| Total EBITDA | \$ (30.2) | \$ 55.1 | \$ (85.3) |
| Restructuring, mill closure and severance costs | \$ 10.4 | \$ 5.4 | \$ 5.0 |
| Inventory write-downs (logs and finished product) | \$ 20.0 | \$ 3.5 | \$ 16.5 |
| Total EBITDA adjusted for above items | \$ 0.2 | \$ 64.0 | \$ (63.8) |
| Average Exchange Rate (\$US/\$CDN) | \$ 0.825 | \$ 0.960 | \$ (0.135) |
| End of Period Exchange Rate (\$US/\$CDN) | \$ 0.817 | \$ 0.943 | \$ (0.126) |



Lumber: Q4 2008 vs. Q3 2008

| (millions of dollars unless otherwise noted) | Q4 2008 | Q3 2008 | Variance |
|---|------------|------------|-----------|
| Sales | \$ 363.9 | \$ 378.8 | \$ (14.9) |
| EBITDA | \$ (24.1) | \$ 15.3 | \$ (39.4) |
| Restructuring, mill closure and severance costs | \$ 3.7 | \$ 3.1 | \$ 0.6 |
| Total inventory write-downs | \$ 15.5 | \$ 6.6 | \$ 8.9 |
| EBITDA, adjusted for above items | \$ (4.9) | \$ 25.0 | \$ (29.9) |
| Average SPF 2x4 #2&Btr price in Cdn\$ | \$ 230 | \$ 274 | \$ (44) |
| Average SYP 2x4 #2&Btr lumber price in US\$ | \$ 258 | \$ 289 | \$ (31) |
| Production – SPF lumber (MMfbm) | 792 | 747 | 45 |
| Production – SYP lumber (MMfbm) | 79 | 100 | (21) |
| Shipments – Canfor-produced SPF lumber (MMfbm) | 834 | 756 | 78 |
| Shipments – Canfor-produced SYP lumber (MMfbm) | 86 | 110 | (24) |

EBITDA down \$29.9 million in Q4 vs. Q3 (before inventory write-downs and restructuring costs)

- Significant deterioration in market conditions during Q4:
 - Western SPF 2X4 #2&Btr prices down US\$73 per Mfbm
 - SYP East 2x4 #2 & Btr prices down US\$31 per Mfbm
 - Sharp decline in CDN\$ partly offsetting weaker prices for Canadian operations
 - Significant curtailment taken at all mills in December
- Q4 log and conversion costs held at Q3 levels, 12% lower than a year ago
- Q4 Third Country Adjustment Export Tax Refund of \$10.8 million



Panels: Q4 2008 vs. Q3 2008

| (millions of dollars unless otherwise noted) | Q4 2008 | Q3 2008 | Variance |
|---|------------|------------|-----------|
| Sales | \$ 20.5 | \$ 36.0 | \$ (15.5) |
| EBITDA | \$ (10.9) | \$ (0.1) | \$ (10.8) |
| Restructuring, mill closure and severance costs | \$ 6.7 | \$ 2.3 | \$ 4.4 |
| Total inventory write-downs (recoveries) | \$ 2.1 | \$ (3.1) | \$ 5.2 |
| EBITDA, adjusted for above items | \$ (2.1) | \$ (0.9) | \$ (1.2) |
| Average plywood price in Cdn\$ | \$ 336 | \$ 333 | \$ 3 |
| Average OSB price in US\$ | \$ 172 | \$ 202 | \$ (30) |
| Average OSB price in Cdn\$ | \$ 209 | \$ 210 | \$ (2) |
| Production – plywood (MMsf 3/8") | 14 | 44 | (30) |
| Production – OSB (MMsf 3/8") | 57 | 85 | (29) |
| Shipments – plywood (MMsf 3/8") | 28 | 54 | (26) |
| Shipments – OSB (MMsf 3/8") | 56 | 91 | (35) |

EBITDA down \$1.2 million in Q4 vs. Q3 (before inventory write-downs and restructuring costs)

- Shipment volumes down 42%, reflecting sharp falloff in demand
- Weaker OSB prices (down US\$30 per Msf 3/8") offset by impact of weaker CDN\$; Plywood prices flat
- Production down 45%, reflecting indefinite closure of Tackama plywood plant (Oct.) and curtailment at JV Peace Valley OSB plant



Pulp & Paper: Q4 2008 vs. Q3 2008

| (millions of dollars unless otherwise noted) | Q4 2008 | Q3 2008 | Variance |
|--|------------|------------|-----------|
| Sales | \$ 204.3 | \$ 253.2 | \$ (48.9) |
| EBITDA | \$ 8.9 | \$ 45.1 | \$ (36.2) |
| Average pulp list price delivered to U.S. - in US\$ | \$ 787 | \$ 880 | \$ (93) |
| Average pulp list price delivered to U.S. - in CDN\$ | \$ 954 | \$ 917 | \$ 37 |
| Production – pulp (000 mt) | 256 | 308 | (52) |
| Shipments – Canfor-produced pulp (000 mt) | 236 | 284 | (48) |

EBITDA down \$36.2 million in Q4 vs. Q3

- Lower sales volumes and sharp decline in prices resulting from slump in global demand
- Impact from weaker CDN\$ offset by lower US\$ list prices and higher % of sales into Asia and spot markets
- Lower production volumes reflecting market curtailment and CPLP scheduled maintenance outages