



CANFOR CORPORATION

# Quarter 1, 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.



## Q1 2009 Review

- **Poor Housing Markets, Global Economic Downturn Impact Q1 Results**
  - U.S. housing starts 20% lower than previous quarter, at 523,000 units SAAR
  - Lumber prices depressed as result of very weak demand
    - Western SPF 2x4 #2&Btr at US\$134/Mfbm in January (Q1: US\$155)
  - Lower demand for pulp and printing papers resulting in spike in inventory levels and sharp decline in pulp prices
- **Reported Q1 Net Loss of \$59 million (\$0.41 per share)**
  - Adjusted loss of \$78 Million (\$0.55 per share), includes:
    - Gain on sale of mill property - \$38 million
    - Foreign exchange loss on US\$ debt and investments, net - \$9 million
    - Marked-to-market losses on derivative financial instruments - \$12 million
  - Net loss includes inventory write-downs related to seasonal build of logs ahead of spring break-up in Canada
- **Significant Curtailments and Continued Cost Focus**
  - Q1 lumber production at 60% of capacity, market-related downtime also taken at CPLP and Taylor pulp operations
  - Lumber unit manufacturing costs held at Q4 levels, down 7% from Q1/08





## Q1 2009 Review: One-Time Items Impacting Earnings

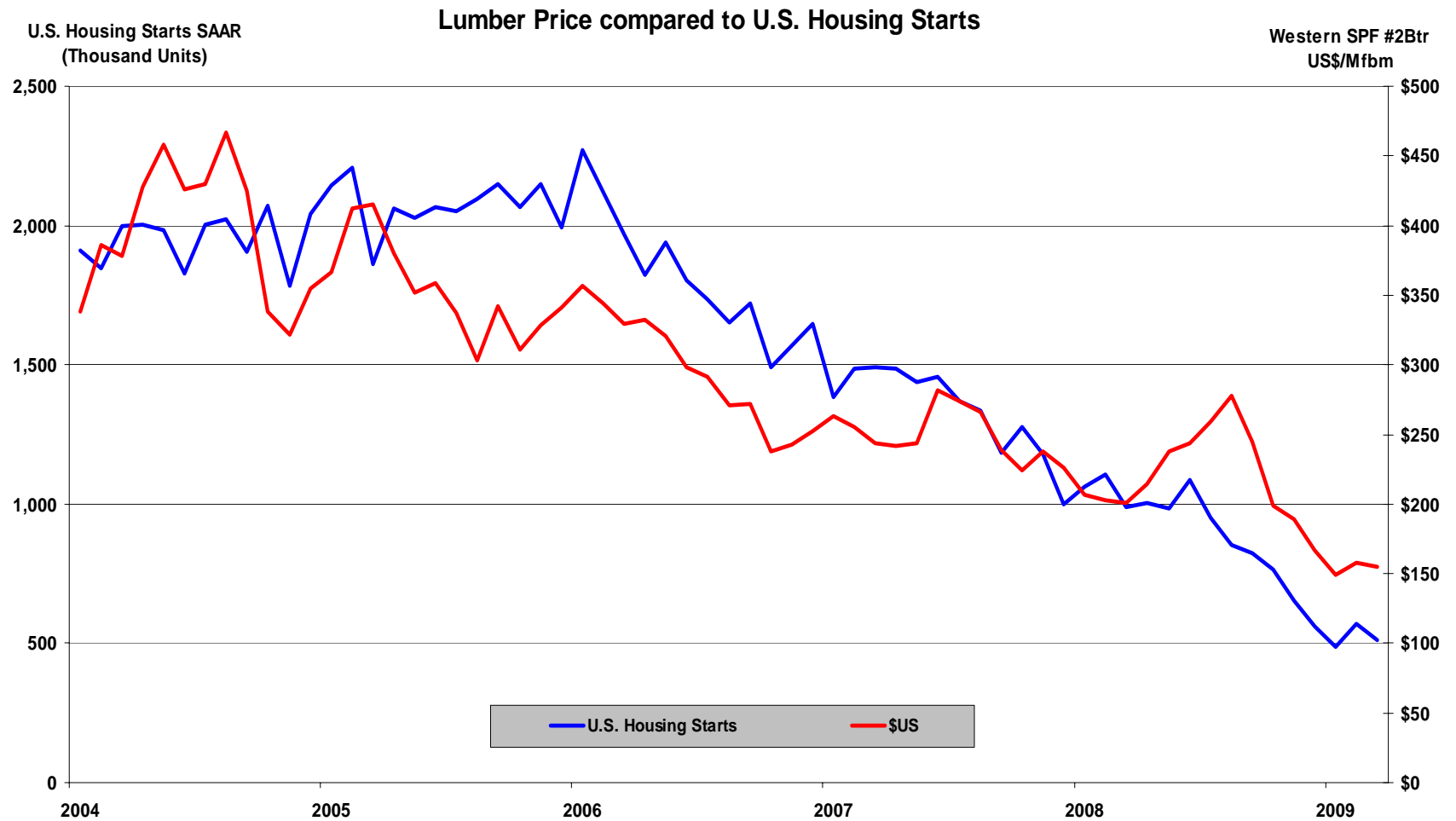
(millions of dollars, except for per share amounts)	Q1 2009		Q4 2008	
	\$	\$/Share	\$	\$/Share
Net loss, as reported	\$ (59)	\$ (0.41)	\$ (230)	\$ (1.61)
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Gain on sale of mill property (note 1)	\$ (38)	\$ (0.27)	\$ -	\$ -
Loss on derivative financial instruments (note 2)	\$ 12	\$ 0.09	\$ 50	\$ 0.35
Foreign exchange loss on long-term debt and investments, net (note 3)	\$ 9	\$ 0.06	\$ 52	\$ 0.37
Corporate income tax rate reductions (note 4)	\$ (7)	\$ (0.05)	\$ -	\$ -
Restructuring, mill closure and severance costs (note 5)	\$ 4	\$ 0.03	\$ 7	\$ 0.05
Asset impairments	\$ -	\$ -	\$ 74	\$ 0.52
Third Country Adjustment export tax refund	\$ -	\$ -	\$ (7)	\$ (0.05)
Net impact of above items	\$ (19)	\$ (0.14)	\$ 176	\$ 1.24
Net loss, as adjusted	\$ (78)	\$ (0.55)	\$ (53)	\$ (0.37)

Notes:

- 1 Q1 gain on sale of the Panel & Fibre mill property of \$44.6 million (pre-tax).
- 2 Q1 losses on derivative financial instruments of \$21.3 million (pre-tax) reflecting losses on foreign exchange collars and forward contracts (\$10.8 million), natural gas swaps (\$9.5 million) and diesel options and swaps (\$1.4 million), partially offset by gain on lumber futures (\$0.4 million).
- 3 Q1 FX loss on US\$ debt and investments of \$12.9 million (pre-tax) related to the weaker CDN\$.
- 4 Q1 provincial corporate income tax rate reduction of 1% (substantially enacted).
- 5 Q1 restructuring, mill closure and severance costs of \$6.4 million (pre-tax) related to the ongoing costs of the indefinitely idled operations.



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





## Sales and EBITDA Summary

(millions of dollars, except where otherwise stated)	Q1 2009	Q4 2008	Variance
Gross Sales	\$ 488.2	\$ 588.7	\$ (100.5)
EBITDA by Segment:			
Lumber	\$ (68.8)	\$ (24.1)	\$ (44.7)
Pulp & Paper	\$ (5.0)	\$ 8.9	\$ (13.9)
Unallocated & Other *	\$ (10.8)	\$ (15.0)	\$ 4.2
Total EBITDA	\$ (84.6)	\$ (30.2)	\$ (54.4)
Restructuring, mill closure and severance costs	\$ 6.4	\$ 10.3	\$ (3.9)
Inventory write-downs (logs and finished product)	\$ 29.8	\$ 20.1	\$ 9.7
Total EBITDA adjusted for above items	\$ (48.4)	\$ 0.2	\$ (48.6)
Average Exchange Rate (US\$/CDN\$)	\$ 0.803	\$ 0.825	\$ (0.022)
End of Period Exchange Rate (US\$/CDN\$)	\$ 0.794	\$ 0.817	\$ (0.023)

\* Effective January 1, 2009, the panels results are no longer reported separately as an operating segment. Results of the panels segment for Q4 2008 have been reclassified to Unallocated & Other.



## Lumber: Q1 2009 vs. Q4 2008

(millions of dollars unless otherwise noted)	Q1 2009	Q4 2008	Variance
Sales	\$ 277.3	\$ 363.9	\$ (86.6)
EBITDA	\$ (68.8)	\$ (24.1)	\$ (44.7)
Restructuring, mill closure and severance costs	\$ 2.5	\$ 3.7	\$ (1.2)
Total inventory write-downs (logs and finished product)	\$ 24.3	\$ 15.5	\$ 8.8
EBITDA, adjusted for above items	\$ (42.0)	\$ (4.9)	\$ (37.1)
Average SPF 2x4 #2&Btr price in Cdn\$	\$ 193	\$ 230	\$ (37)
Average SYP 2x4 #2 lumber price in US\$	\$ 235	\$ 258	\$ (23)
Production – SPF lumber (MMfbm)	702	792	(90)
Production – SYP lumber (MMfbm)	62	79	(17)
Shipments – Canfor-produced SPF lumber (MMfbm)	685	834	(149)
Shipments – Canfor-produced SYP lumber (MMfbm)	67	86	(19)

### **EBITDA down \$37.1 million** (before inventory write-downs and restructuring costs)

- Further deterioration in market conditions - significantly lower prices:
  - Western SPF 2X4 #2&Btr prices down CDN\$37 per Mfbm, or 16%
  - SYP East 2x4 #2 prices down US\$23 per Mfbm, or 9%
- Significant additional curtailment taken in Q1; operated at 60% of capacity
- Q1 unit manufacturing costs held at Q4 levels, 7% lower than a year ago
- Q1 residual fibre revenue well down, reflecting lower pulp prices and lower operating rates
- Third Country Adjustment export tax refund of \$10.8 million recorded in Q4



## Pulp & Paper: Q1 2009 vs. Q4 2008

(millions of dollars unless otherwise noted)	Q1 2009	Q4 2008	Variance
Sales	\$ 205.3	\$ 204.3	\$ 1.0
EBITDA	\$ (5.0)	\$ 8.9	\$ (13.9)
Average NBSK pulp list price delivered to U.S. – US\$	\$ 673	\$ 787	\$ (114)
Average NBSK pulp list price delivered to U.S. – CDN\$	\$ 838	\$ 954	\$ (116)
Production – pulp (000 mt)	270	256	14
Shipments – Canfor-produced pulp (000 mt)	277	236	41

### EBITDA down \$13.9 million

- Deterioration in global market conditions resulting in significant downward pressure on sales realizations
  - NBSK list prices (to U.S.) down US\$114 per tonne, or 14%
- Shipment levels up, reflecting additional NBSK pulp sales to non-traditional markets
- Less market downtime and scheduled maintenance outages
- Lower fibre costs related to fall in sawmill residual chip and whole log chip prices