

# Quarter 1, 2010 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, interest rates, changes in law and public policy, the outcome of trade and labour 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, 2009.



## Q1 2010 Review

- **Supply Factors Contribute to Significant Lumber and Pulp Price Gains**
  - Slight improvement in U.S. housing starts to 617,000 units SAAR
  - Lumber prices up in Q1, mostly as a result of tighter supply
    - Western SPF 2x4 #2&Btr price of CDN\$279/Mfbm, up 29% from Q4
    - Offshore prices lagging those of North America
  - Higher pulp prices reflect tighter supply (continued low global inventory levels and impact of Chilean earthquake) as well as improved demand
    - CDN\$ NBSK pulp list prices up 6% from Q4
- **Q1 Equity Shareholder Net Income of \$16 million (\$0.11 per share)**
  - Total net income of \$33 million before net income attributable to non-controlling interests of \$17 million
  - Adjusted net income of \$10 Million (\$0.07 per share), excludes:
    - Foreign exchange gain on US\$ debt and investments, net - \$6 million
- **Strong Financial Position Maintained**
  - March 31 cash of \$94 million, Consolidated Net Debt to Capitalization of 14%



## Q1 2010 Review: One-Time Items Impacting Earnings

(millions of dollars, except for per share amounts)	Q1 2010		Q4 2009	
	\$	\$/Share	\$	\$/Share
Net income (loss), as reported	\$ 32.5		\$ (9.1)	
Less: Non-controlling interests	\$ 16.9		\$ 7.9	
Net income (loss) attributable to equity shareholders of the Company	\$ 15.6	\$ 0.11	\$ (17.0)	\$ (0.12)
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on long-term debt and investments, net (note 1)	\$ (6.2)	\$ (0.04)	\$ (5.8)	\$ (0.04)
(Gain) loss on derivative financial instruments (note 2)	\$ 1.0	\$ 0.01	\$ (1.4)	\$ (0.01)
Net impact of above items	\$ (5.2)	\$ (0.04)	\$ (7.2)	\$ (0.05)
Net income (loss), as adjusted	\$ 10.4	\$ 0.07	\$ (24.2)	\$ (0.17)
Positive (negative) impact of inventory valuation adjustments (note 3)	\$ 17.3	\$ 0.12	\$ 0.4	\$ 0.00

Notes:

- 1 Q1/10 FX gain on US\$ debt and investments of \$8.8 million (pre-tax) related to the stronger CDN\$.
- 2 Q1/10 net gains on derivative financial instruments of \$1.2 million (pre-tax) reflect gains on foreign exchange collars and forward contracts (\$5.8 million) and diesel options and swaps (\$0.4 million) offset by losses on lumber futures (\$3.7 million) and natural gas swaps (\$3.7 million).
- 3 Q1/10 positive impact of inventory valuation adjustments in reported results of \$23.0 million (pre-tax) principally reflects improved solid wood prices.



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

U.S. Housing Starts SAAR\*  
(Thousand Units)

CDN\$ Lumber Price compared to U.S. Housing Starts

Western SPF #2&Btr  
CDN\$/Mfbm



\* SAAR – Seasonally Adjusted Annual Rate



## Sales and EBITDA Summary

(millions of dollars unless otherwise noted)	Q1 2010	Q4 2009	Variance
Gross Sales	\$ 577.9	\$ 549.6	\$ 28.3
EBITDA by segment:			
Lumber	\$ 34.0	\$ (8.6)	\$ 42.6
Pulp & Paper	\$ 45.8	\$ 29.3	\$ 16.5
Unallocated and other *	\$ (2.0)	\$ (5.5)	\$ 3.5
Total EBITDA	\$ 77.8	\$ 15.2	\$ 62.6
Inventory adjustments (logs and finished product)	\$ (23.0)	\$ (0.5)	\$ (22.5)
Total EBITDA adjusted for above items	\$ 54.8	\$ 14.7	\$ 40.1
Average Exchange Rate (\$US/\$CDN)	\$ 0.961	\$ 0.947	\$ 0.014
End of Period Exchange Rate (US\$/CDN\$)	\$ 0.985	\$ 0.956	\$ 0.029

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



## Lumber: Q1 2010 vs. Q4 2009

(millions of dollars unless otherwise noted)	Q1 2010	Q4 2009	Variance
Sales	\$ 292.0	\$ 285.3	\$ 6.7
EBITDA, as reported	\$ 34.0	\$ (8.6)	\$ 42.6
Total (positive) negative impact from inventory valuation adjustments (logs and finished products)	\$ (22.4)	\$ 0.1	\$ (22.5)
EBITDA, adjusted for above item	\$ 11.6	\$ (8.5)	\$ 20.1
Average SPF 2x4 #2&Btr price in CDN\$	\$ 279	\$ 216	\$ 63
Average SYP 2x4 #2 lumber price in US\$	\$ 329	\$ 231	\$ 98
Production - SPF lumber (MMfbm)	696	692	4
Production - SYP lumber (MMfbm)	85	76	9
Shipments - Canfor-produced SPF lumber (MMfbm)	673	750	(77)
Shipments - Canfor-produced SYP lumber (MMfbm)	86	116	(30)

### EBITDA up \$20.1 million (before inventory valuation adjustments)

- Improved Western SPF US\$ prices, offset by rising Canadian dollar:
  - Western SPF 2X4 #2&Btr prices up CDN\$63 per Mfbm, or 29%
  - SYP East 2x4 #2 US\$ prices up US\$98 per Mfbm, or 42%
- Offshore prices lagging those of North America
- Unit manufacturing costs in line with previous quarter, down 13% from Q1 09



## Pulp & Paper: Q1 2010 vs. Q4 2009

(millions of dollars unless otherwise noted)	Q1 2010	Q4 2009	Variance
Sales	\$ 269.7	\$ 253.3	\$ 16.4
EBITDA, as reported	\$ 45.8	\$ 29.3	\$ 16.5
Total (positive) negative impact from inventory valuation adjustments (finished products)	\$ 0.2	\$ 0.1	\$ 0.1
EBITDA, adjusted for above item	\$ 46.0	\$ 29.4	\$ 16.6
Average NBSK pulp list price delivered to U.S. - US\$	\$ 880	\$ 820	\$ 60
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 916	\$ 866	\$ 50
Production - Pulp (000 mt)	307	307	\$ -
Shipments - Canfor-produced pulp (000 mt)	316	315	\$ 1

### EBITDA up \$16.6 million (before inventory valuation adjustments)

- Improving pulp prices due to continued low global inventory levels and steady improvement in demand
  - NBSK pulp list prices (in CDN\$) up \$50 per tonne, or 6%
- Higher NBSK Canadian dollar sales realizations, slight overall reduction in unit manufacturing costs