

# Quarter 2, 2010 Financial Performance Overview

Presented by:

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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.



## Q2 2010 Review: Items Impacting Earnings Comparability

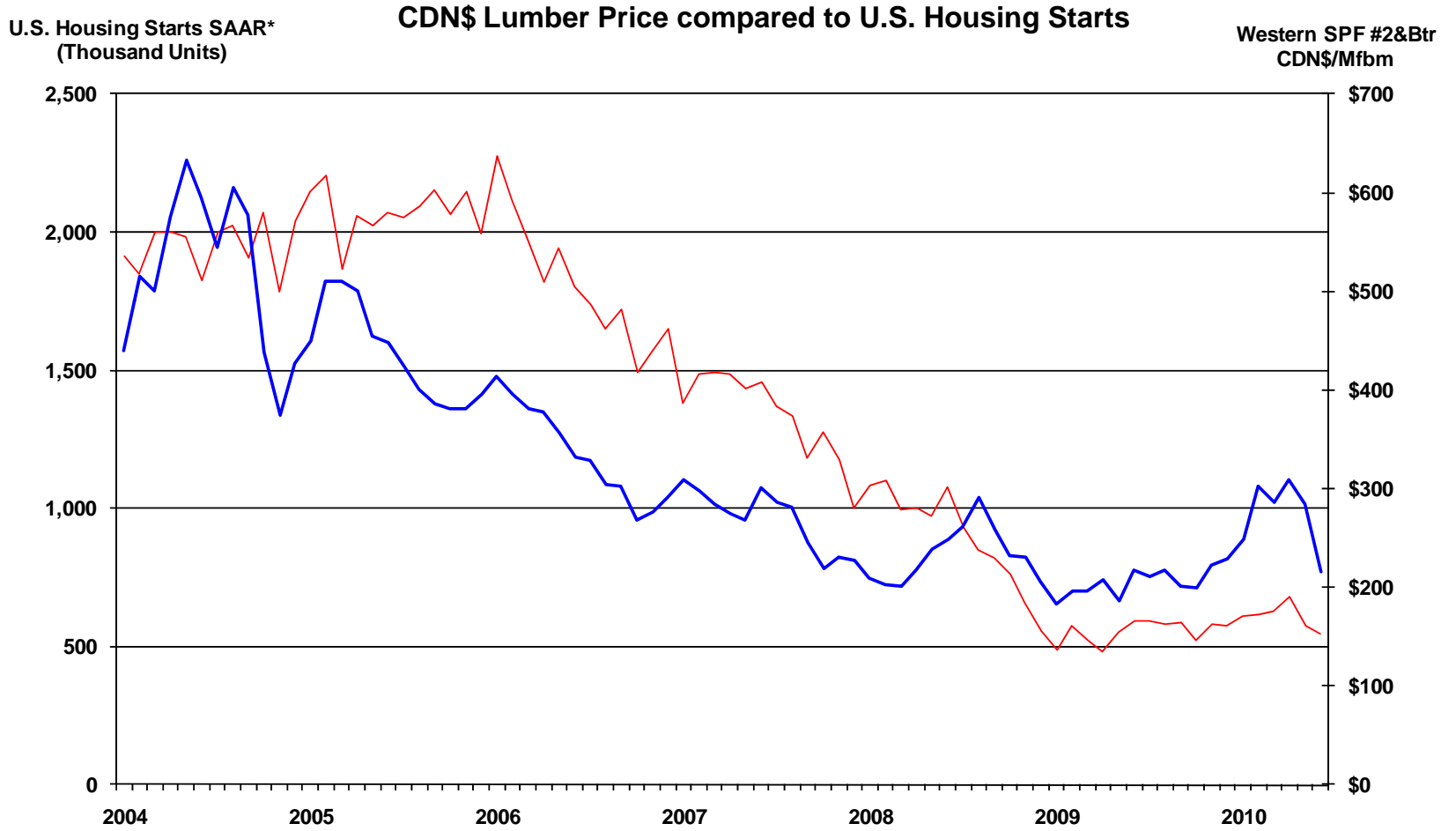
(millions of dollars, except for per share amounts)	Q2 2010		Q1 2010	
	\$	\$/Share	\$	\$/Share
Net income (loss), as reported	\$ 40.4		\$ 32.5	
Less: Non-controlling interests	\$ 22.3		\$ 16.9	
Net income (loss) attributable to equity shareholders of the Company	\$ 18.1	\$ 0.13	\$ 15.6	\$ 0.11
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on long-term debt and investments, net (note 1)	\$ 9.0	\$ 0.06	\$ (6.2)	\$ (0.04)
(Gain) loss on derivative financial instruments (note 2)	\$ 1.1	\$ 0.01	\$ 1.0	\$ 0.01
Net impact of above items	\$ 10.1	\$ 0.07	\$ (5.2)	\$ (0.04)
Net income (loss), as adjusted	\$ 28.2	\$ 0.20	\$ 10.4	\$ 0.07
Positive (negative) impact of inventory valuation adjustments (note 3)	\$ (4.1)	\$ (0.03)	\$ 17.3	\$ 0.12

Notes:

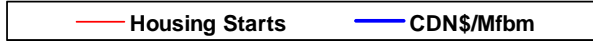
- 1 Q2/10 FX loss on US\$ debt and investments of \$12.8 million (before tax and deducting non-controlling interests) related to the weaker CDN\$.
- 2 Q2/10 net losses on derivative financial instruments of \$3.3 million (before tax and deducting non-controlling interests) reflect losses on foreign exchange collars and forward contracts (\$9.5 million) and diesel options and swaps (\$1.0 million) offset by gains on lumber futures (\$7.0 million) and natural gas swaps (\$0.2 million).
- 3 Q2/10 negative impact of inventory valuation adjustments in reported results of \$5.5 million (before tax and deducting non-controlling interests) principally reflects decreases in solid wood prices at quarter end.



# History of Lumber Prices (in Cdn\$) and U.S. Housing Starts



\* SAAR – Seasonally Adjusted Annual Rate





## Sales and EBITDA Summary

(millions of dollars unless otherwise noted)	Q2 2010	Q1 2010	Variance
Gross Sales	\$ 634.7	\$ 577.9	\$ 56.8
EBITDA by segment:			
Lumber	\$ 38.9	\$ 34.0	\$ 4.9
Pulp & Paper	\$ 66.8	\$ 45.8	\$ 21.0
Unallocated and other	\$ (3.2)	\$ (2.0)	\$ (1.2)
Total EBITDA	\$ 102.5	\$ 77.8	\$ 24.7
Inventory adjustments (logs and finished product)	\$ 5.5	\$ (23.0)	\$ 28.5
Total EBITDA adjusted for above items	\$ 108.0	\$ 54.8	\$ 53.2
Average Exchange Rate (\$US/\$CDN)	\$ 0.973	\$ 0.961	\$ 0.012
End of Period Exchange Rate (\$US/\$CDN)	\$ 0.943	\$ 0.985	\$ (0.042)



## Lumber: Q2 2010 vs. Q1 2010

(millions of dollars unless otherwise noted)	Q2 2010	Q1 2010	Variance
Sales	\$ 336.9	\$ 292.0	\$ 44.9
EBITDA, as reported	\$ 38.9	\$ 34.0	\$ 4.9
Total (positive) negative impact from inventory valuation adjustments (logs and finished products)	\$ 2.2	\$ (22.4)	\$ 24.6
EBITDA, adjusted for above item	\$ 41.1	\$ 11.6	\$ 29.5
Average SPF 2x4 #2&Btr price in CDN\$	\$ 273	\$ 279	\$ (6)
Average SYP 2x4 #2 lumber price in US\$	\$ 379	\$ 329	\$ 50
Production - SPF lumber (MMfbm)	725	696	29
Production - SYP lumber (MMfbm)	93	85	8
Shipments - Canfor-produced SPF lumber (MMfbm)	737	673	64
Shipments - Canfor-produced SYP lumber (MMfbm)	98	86	12

### EBITDA up \$29.5 million to \$41.1 million (before inventory valuation adjustments)

- Average Western SPF C\$ prices to U.S. down slightly, but significant price volatility during Q2
  - Western SPF 2X4 #2&Btr price high of US\$320/Mfbm in May, below US\$200/Mfbm at end of June
  - Export tax savings in Q2 from 10% rate in May and 0% in June
  - Offshore prices up from Q1
- Solid gains recorded for SYP lumber - average SYP East 2x4 #2 US\$ prices up US\$50 per Mfbm, or 15%
- Unit manufacturing costs maintained at previous quarter levels



## Pulp & Paper: Q2 2010 vs. Q1 2010

(millions of dollars unless otherwise noted)	Q2 2010	Q1 2010	Variance
Sales	\$ 280.1	\$ 269.7	\$ 10.4
EBITDA, as reported	\$ 66.8	\$ 45.8	\$ 21.0
Total (positive) negative impact from inventory valuation adjustments (finished products)	\$ 0.1	\$ 0.2	\$ (0.1)
EBITDA, adjusted for above item	\$ 66.9	\$ 46.0	\$ 20.9
Average NBSK pulp list price delivered to U.S. - US\$	\$ 993	\$ 880	\$ 113
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 1,021	\$ 916	\$ 105
Production - Pulp (000 mt)	316	307	9
Shipments - Canfor-produced pulp (000 mt)	301	316	(15)

### **EBITDA up \$20.9 million to \$66.9 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 \$105 per tonne, or 11%
- Canfor Pulp Q2 EBITDA and production records