



CANFOR CORPORATION

Quarter 3, 2008 Financial Performance Overview

Presented by:

**Jim Shepard, President and CEO
Tom Sitar, Vice President, Finance & CFO**



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 Q3 2008 Report (Management's Discussion and Analysis) and Annual Report for the year ended December 31, 2007.



Q3 2008 Review

- **One-Time Items Result in Q3 Net Loss of \$94.2 million**
 - One-time items negatively impact earnings by \$90.7 million (\$0.64 per share)
 - Adjusted Q3/08 Net Loss of \$3.5 million (\$0.02 per share)
 - Improvement of \$17.3 million (\$0.13 per share) vs. Q2/08
- **Improved Operating Results in Face of Continuing Difficult Market Conditions**
 - Reduced operating costs, despite additional curtailment
 - Higher Lumber/OSB prices resulting from tighter supply; Weaker CDN\$
 - Lower Pulp operating costs
- **Unprecedented Challenges from Record-Low US Housing Activity and Turmoil in Financial and Credit Markets**
 - US housing starts down 32% vs. Q3/07
 - Effects of financial and credit crisis very evident since late Q3
- **Tackama plywood plant indefinitely shut in October**



Q3 2008 Review: One-Time Items Impacting Earnings

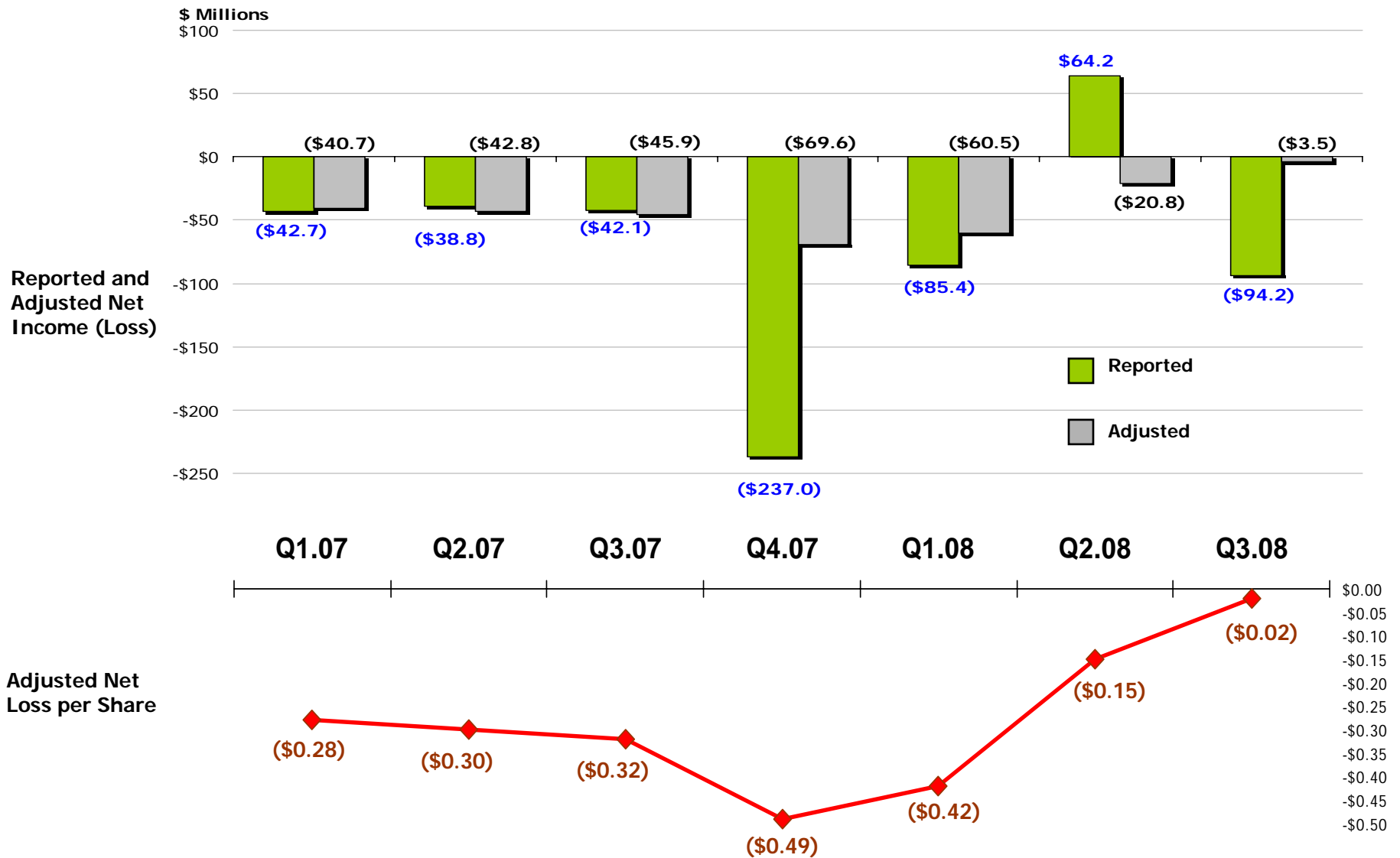
(\$ millions, except per share amounts) - Unaudited	Q3 2008		Q2 2008	
	\$	\$/Share	\$	\$/Share
Net income (loss), as reported	\$ (94.2)	\$ (0.66)	\$ 64.2	\$ 0.45
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Asset impairments (note 1)	\$ 56.9	\$ 0.40	\$ -	\$ -
(Gain) loss on derivative financial instruments (note 2)	\$ 21.4	\$ 0.15	\$ (14.5)	\$ (0.10)
Foreign exchange loss on translation of long-term debt and investments, net (note 3)	\$ 11.3	\$ 0.08	\$ -	\$ -
Restructuring, mill closure and severance costs (note 4)	\$ 3.6	\$ 0.03	\$ 22.3	\$ 0.16
New inventory accounting standard (note 5)	\$ (2.5)	\$ (0.02)	\$ (47.8)	\$ (0.34)
North Central Plywoods (NCP) mill fire, net (note 6)	\$ -	\$ -	\$ (45.0)	\$ (0.32)
Net impact of above items	\$ 90.7	\$ 0.64	\$ (85.0)	\$ (0.60)
Net loss, as adjusted	\$ (3.5)	\$ (0.02)	\$ (20.8)	\$ (0.15)

Notes:

1. Impairment charge related to Company's interest in Howe Sound Pulp and Paper
2. Loss reflecting sharp decline in energy prices and weaker CDN\$ (more than reversed gains in Q2)
3. FX translation loss resulting from weaker CDN\$
4. Restructuring, mill closure and severance costs resulting substantially from indefinitely idled operations/ closures
5. Modest log inventory devaluation reversal in Q3, in contrast to significant Q2 reversal (related to seasonal log reduction)
6. Q2 restated for reclassification of \$13.3 million to Restructuring, mill closure and severance costs



Reported and Adjusted Net Income (Loss)





Sales and EBITDA Summary

(\$ millions) - Unaudited	Q3 2008	Q2 2008	Variance
Sales	\$ 668.0	\$ 706.4	\$ (38.4)
EBITDA by Segment:			
Lumber	\$ 15.3	\$ 46.3	\$ (31.0)
Panels	\$ (0.1)	\$ (7.3)	\$ 7.2
Pulp & Paper	\$ 45.1	\$ 26.6	\$ 18.5
Corporate	\$ (5.2)	\$ (3.3)	\$ (1.9)
Total EBITDA	\$ 55.1	\$ 62.3	\$ (7.2)
Restructuring, mill closure and severance costs	\$ 5.4	\$ 34.0	\$ (28.6)
Total inventory write-downs (recoveries)	\$ 3.5	\$ (88.4)	\$ 91.9
Total EBITDA adjusted for above items	\$ 64.0	\$ 7.9	\$ 56.1
Average Exchange Rate (\$US/\$CDN)	\$ 0.960	\$ 0.990	\$ (0.030)
End of Period Exchange Rate (\$US/\$CDN)	\$ 0.943	\$ 0.982	\$ (0.039)



Lumber: Q3 2008 vs. Q2 2008

(millions of dollars unless otherwise noted) - Unaudited	Q3 2008	Q2 2008	Variance
Sales	\$ 378.8	\$ 395.3	\$ (16.5)
EBITDA	\$ 15.3	\$ 46.3	\$ (31.0)
Restructuring, mill closure and severance costs	\$ 3.1	\$ 11.1	\$ (8.0)
Total inventory write-downs (recoveries)	\$ 6.6	\$ (70.3)	\$ 76.9
EBITDA, adjusted for above items	\$ 25.0	\$ (12.9)	\$ 37.9
Average SPF 2x4 #2 price in Cdn\$	\$ 274	\$ 232	\$ 42
Average SYP 2x4 #2 price in US\$	\$ 289	\$ 294	\$ (5)
Production – SPF lumber (MMfbm)	747.1	877.0	(129.9)
Production – SYP lumber (MMfbm)	99.6	104.4	(4.8)
Shipments – Canfor-produced SPF lumber (MMfbm)	755.9	935.3	(179.4)
Shipments – Canfor-produced SYP lumber (MMfbm)	110.3	125.9	(15.6)

EBITDA up \$38 million in Q3 vs. Q2, before inventory write-downs (recoveries) and restructuring costs

- + Higher average SPF prices - 2X4 #2 & Btr up US\$33 per Mfbm
- Small decline in SYP 2x4 #2 & Btr prices
- + Sales realizations positively impacted by weaker CDN\$, partly offset by freight surcharges
- + Lower log costs, solid control exercised over conversion costs despite additional curtailments



Panels: Q3 2008 vs. Q2 2008

(millions of dollars unless otherwise noted) - Unaudited	Q3 2008	Q2 2008	Variance
Sales	\$ 36.0	\$ 59.9	\$ (23.9)
EBITDA	\$ (0.1)	\$ (7.3)	\$ 7.2
Restructuring, mill closure and severance costs	\$ 2.3	\$ 22.7	\$ (20.4)
Total inventory write-downs (recoveries)	\$ (3.1)	\$ (18.1)	\$ 15.0
EBITDA, adjusted for above items	\$ (0.9)	\$ (2.7)	\$ 1.8
Average plywood price in Cdn\$	\$ 333	\$ 337	\$ (4)
Average OSB price in Cdn\$	\$ 210	\$ 176	\$ 34
Production – plywood (MMsf 3/8")	44.1	85.7	(41.6)
Production – OSB (MMsf 3/8")	85.3	134.3	(49.0)
Shipments – plywood (MMsf 3/8")	54.2	95.7	(41.5)
Shipments – OSB (MMsf 3/8")	90.5	152.9	(62.4)

EBITDA up \$2 million in Q3 vs. Q2, before inventory write-downs (recoveries) and restructuring costs

- + Higher avg. OSB prices, up US\$28 per Msf 3/8"; realizations boosted by weaker CDN\$
- Plywood prices remained depressed: down \$4 per Msf 3/8"
- Shipment/ production volumes down 42% due to NCP fire and PolarBoard indefinite closure
- + Lower log costs, partly offset by higher wax and resin costs



Pulp & Paper: Q3 2008 vs. Q2 2008

(millions of dollars unless otherwise noted) - Unaudited	Q3 2008	Q2 2008	Variance
Sales	\$ 253.2	\$ 251.2	\$ 2.0
EBITDA	\$ 45.1	\$ 26.6	\$ 18.5
Average NBSK pulp price delivered to U.S., in Cdn\$	\$ 917	\$ 889	\$ 28
Production – pulp (000 mt)	307.8	276.2	31.6
Shipments – Canfor-produced pulp (000 mt)	284.0	289.4	(5.4)

EBITDA up \$18.5 million in Q3 vs. Q2

- US NBSK avg. list price unchanged, but prices under pressure in Q3
- + Pulp and paper sales realizations positively impacted by weaker CDN\$
- Higher fuel costs impacting cost of delivering pulp and paper to customers and fibre to mills
- + Increased production, reflecting Q2 scheduled maintenance outages