



CANFOR CORPORATION

Quarter 4, 2009 Financial Performance Overview

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 and labour 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.



Q4 2009 Review

- **Q4 Lumber Markets Were Weak, Pulp Markets Continued to Improve**
 - No improvement in U.S. housing activity, U.S. housing starts remain at very low levels
 - Lumber prices edge up in Q4, mostly as a result of tighter supply
 - Western SPF 2x4 #2&Btr price of CDN\$216/Mfbm, up 3% from Q3
 - Improving pulp prices due to continued low global inventory levels and steady improvement in demand
 - CDN\$ NBSK pulp list prices up 8% from Q3
- **Reported Q4 Net Loss of \$17 million (\$0.12 per share)**
 - Adjusted net loss of \$19 Million (\$0.13 per share), excludes:
 - Foreign exchange gain on US\$ debt and investments, net - \$6 million
 - Restructuring, mill closure and severance costs - \$(5) million
- **Cash Conservation a Key Focus Again in Q4**
 - Limited capital spending, continued focus on working capital management
 - Further market-related downtime over Christmas period
 - Lumber unit manufacturing costs down 2% from Q3
 - Cash of \$133 million at year end



Q4 2009 Review: One-Time Items Impacting Earnings

SUMMARY

(millions of dollars, except for per share amounts)	Q4 2009		Q3 2009	
	\$	\$/Share	\$	\$/Share
Net income (loss), as reported	\$ (17.0)	\$ (0.12)	\$ (5.2)	\$ (0.04)
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on long-term debt and investments, net (note 1)	\$ (5.8)	\$ (0.04)	\$ (19.6)	\$ (0.14)
(Gain) loss on derivative financial instruments (note 2)	\$ (1.4)	\$ (0.01)	\$ (12.7)	\$ (0.09)
Restructuring, mill closure and severance costs (note 3)	\$ 5.4	\$ 0.04	\$ 5.3	\$ 0.04
Net impact of above items	\$ (1.8)	\$ (0.01)	\$ (27.0)	\$ (0.19)
Net loss, as adjusted	\$ (18.8)	\$ (0.13)	\$ (32.2)	\$ (0.23)
Positive (negative) impact of inventory write-down movements in reported results	\$ 0.4	\$ 0.00	\$ (1.3)	\$ (0.01)

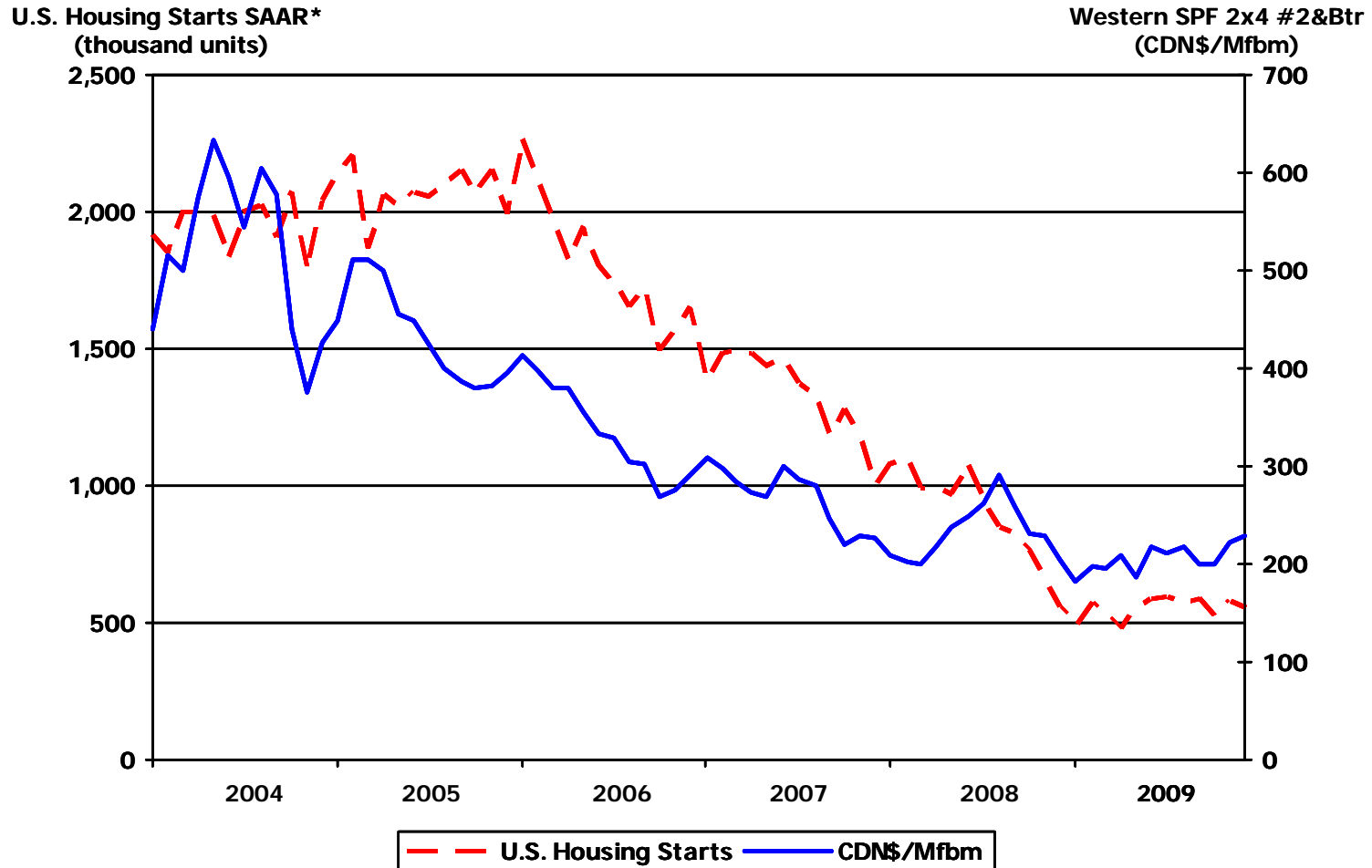
Notes:

- 1 Q4/09 FX gain on US\$ debt and investments of \$8.0 million (pre-tax) related to the stronger CDN\$.
- 2 Q4/09 net gains on derivative financial instruments of \$2.3 million (pre-tax) reflect gains on foreign exchange collars and forward contracts (\$2.7 million), diesel options and swaps (\$0.4 million) and lumber futures (\$0.7 million), partly offset by losses on natural gas swaps (\$1.5 million).
- 3 Q4/09 restructuring, mill closure and severance costs of \$5.9 million (pre-tax) related to ongoing costs of various indefinitely idled mills.



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

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



* SAAR – Seasonally Adjusted Annual Rate



Sales and EBITDA Summary

(millions of dollars unless otherwise noted)	Q4 2009	Q3 2009	Variance
Gross Sales	\$ 549.6	\$ 540.9	\$ 8.7
EBITDA by segment:			
Lumber	\$ (8.6)	\$ (14.6)	\$ 6.0
Pulp & Paper	\$ 29.3	\$ 25.9	\$ 3.4
Unallocated and other *	\$ (5.5)	\$ (4.3)	\$ (1.2)
Total EBITDA	\$ 15.2	\$ 7.0	\$ 8.2
Restructuring, mill closure and severance costs	\$ 5.9	\$ 6.2	\$ (0.3)
Inventory adjustments (logs and finished product)	\$ (0.5)	\$ 1.7	\$ (2.2)
Total EBITDA adjusted for above items	\$ 20.6	\$ 14.9	\$ 5.7
Average Exchange Rate (\$US/\$CDN)	\$ 0.947	\$ 0.912	\$ 0.035
End of Period Exchange Rate (US\$/CDN\$)	\$ 0.956	\$ 0.933	\$ 0.023

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



Lumber: Q4 2009 vs. Q3 2009

(millions of dollars unless otherwise noted)	Q4 2009	Q3 2009	Variance
Sales	\$ 285.3	\$ 301.1	\$ (15.8)
EBITDA, as reported	\$ (8.6)	\$ (14.6)	\$ 6.0
Restructuring, mill closure and severance costs	\$ 4.3	\$ 4.5	\$ (0.2)
Total inventory (recoveries) write-downs (logs and finished products)	\$ 0.1	\$ 2.5	\$ (2.4)
EBITDA, adjusted for above items	\$ (4.2)	\$ (7.6)	\$ 3.4
Average SPF 2x4 #2&Btr price in CDN\$	\$ 216	\$ 209	\$ 7
Average SYP 2x4 #2 lumber price in US\$	\$ 231	\$ 230	\$ 1
Production - SPF lumber (MMfbm)	692	614	78
Production - SYP lumber (MMfbm)	76	71	5
Shipments - Canfor-produced SPF lumber (MMfbm)	750	715	35
Shipments - Canfor-produced SYP lumber (MMfbm)	116	66	50

EBITDA up \$3.4 million (before inventory adjustments and restructuring costs)

- Improved Western SPF US\$ prices, offset by rising Canadian dollar:
 - Western SPF 2X4 #2&Btr prices up CDN\$7 per Mfbm, or 3%
 - SYP East 2x4 #2 US\$ prices largely unchanged (some fall in prices for wider dimension lumber)
- Modest improvement in unit manufacturing costs in Q4 compared to Q3
 - Continued cost reduction efforts and performance improvements more than offsetting higher natural gas costs and scheduled maintenance costs



Pulp & Paper: Q4 2009 vs. Q3 2009

(millions of dollars unless otherwise noted)	Q4 2009	Q3 2009	Variance
Sales	\$ 253.3	\$ 227.2	\$ 26.1
EBITDA, as reported	\$ 29.3	\$ 25.9	\$ 3.4
Total inventory (recoveries) write-downs (logs and finished products)	\$ 0.1	\$ (0.7)	\$ 0.8
EBITDA, adjusted for above item	\$ 29.4	\$ 25.2	\$ 4.2
Average NBSK pulp list price delivered to U.S. - US\$	\$ 820	\$ 733	\$ 87
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 867	\$ 804	\$ 63
Production - Pulp (000 mt)	307	316	\$ (9)
Shipments - Canfor-produced pulp (000 mt)	315	307	\$ 8

EBITDA up \$4.2 million (before inventory adjustments)

- Improving pulp prices due to continued low global inventory levels and steady improvement in demand
 - NBSK pulp list prices (in CDN\$) up \$63 per tonne, or 8%
- Increase in sales values offset in part by higher natural gas costs and Q4 scheduled maintenance outage