



THE MARKET

Shelter is one thing that is often taken for granted, but the fact remains, everybody needs a home. Hundreds of millions of houses are built around the world every year, and in many regions, wood has always been the building material of choice. Whether it is used to form the structure of a home or to add beauty and warmth, wood is a natural option. It is renewable, easy to use, and when compared to other building materials such as metal or concrete it requires little energy to manufacture.

Canfor is Canada's largest lumber producer, primarily making the 2x4 lumber and structural panels required to form the framework of a house. Over 2 million homes are built every year in North America, 95 percent of which use the 2x4 wood frame construction method. In addition to the key structural materials, Canfor also manufactures decking, fascia, siding and other products used to complete a home or project.

The forest products market is global, with supply and demand spread out across the world. Canfor's reach extends beyond North America into Europe and Asia, where Canfor supplies the key segments which define the industry: the DIY/Home Renovation market, the professional builder/renovator, the building component manufacturers and the industrial or remanufacturing segments.

ACHIEVEMENTS

Canfor is Canada's largest integrated forest products company. Canfor has grown from a single mill operation to a company that produces over 5.1 billion board feet of lumber, 1.7 billion square feet of structural panels, 135,000 tonnes of Kraft paper and 1.6 million tonnes of pulp, operating 33



production facilities in North America. As the industry leader, Canfor has always taken a highly responsible approach to forest management. Sustainability and environmental responsibility are driving forces in the way in which Canfor operates. Canfor has invested millions of dollars in production facilities to not only comply with, but exceed provincial and national standards for environmental protection. As a result, Canfor has become an industry leader in reducing greenhouse gas emissions from fossil fuels.

Canfor is de-commoditizing lumber by providing more than just wood, and has become a truly dependable and reliable supply partner. By offering not just straighter and more consistent quality lumber, but also better service, distribution and transportation alternatives, unique supply arrangements, inventory management, Web site transactions and order tracking facilities, the Canfor brand now means a great deal more to the trade than just lumber.

Canfor's customers want flexibility and reliability in their inbound logistics. To deliver this, Canfor operates multiple reload centres in North America in order to efficiently service key markets. This distribution network enables product to be inventoried in close proximity to Canfor's customers, reducing reliance on railcar shipments coming from the mills or through third parties.

As the lumber supply chain consolidates, leading lumber retailers and builders are becoming more and more reliant on Canfor's product and service offerings.

In the DIY market, Canfor is the largest supplier of SPF lumber to the leading home centre chains. In 1989 Canfor helped develop the premium grade of lumber that has now become the standard home centre grade.

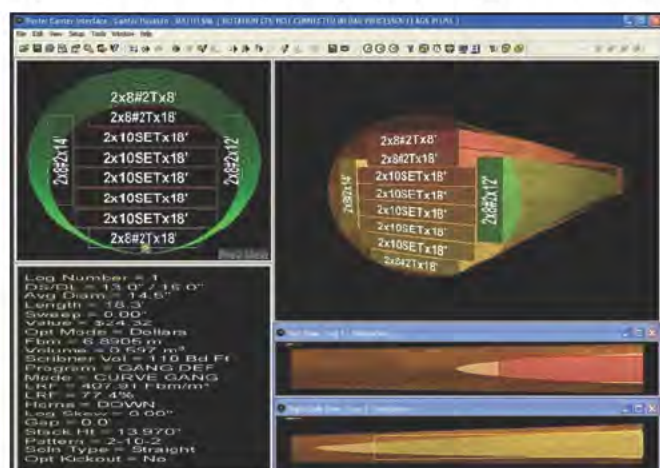
Canfor is the largest supplier of 2x4 lumber to the Japanese market.

Canfor is also the largest producer of Machine Stress Rated Lumber in the world.

Today over 85 percent of Canfor's annual harvest volume from Canfor forest tenures is certified to the Canadian Standards Association (CSA) Sustainable Forest Management Standard. By the end of 2008, Canfor will have reached the 100 percent level. Canfor's forest tenures have the environmental management system in place certified to the ISO 14001 standard.

HISTORY

In 1938, John Prentice and Poldi Bently formed Pacific Veneer, a furniture and paneling veneer company that soon produced plywood for aviation and marine applications. In 1944, Vancouver Island timber rights were purchased along with a company called Canadian Forest Products Ltd. In 1947, all operations were re-organized under that name, and the company began to show a steady growth curve. Canfor moved into the pulp business in 1951 and continued to purchase sawmills and timber rights in BC and Alberta. In 1983, Canfor became a public company, Canfor Corporation, and kept on growing. Between 1989 and 2006, Canfor made a number of strategic acquisitions, including Balfour Forest Products, Northwood Inc., Daaquam Lumber Inc., Slocan Forest Products Ltd. and New South Companies Inc. Through these acquisitions, Canfor developed a wide range of products,



including Western SPF lumber, Eastern SPF lumber, SYP lumber, treated lumber, D Fir lumber, CSP plywood, hardwood plywood, OSB, NBSK pulp, thermo-mechanical pulp, paper, hardboard panels and other fibre products. As the company grew, so did its markets. Canfor now has sales offices in China, Japan, Europe, USA and Canada.

THE PRODUCT

Canfor manufactures a number of products. Some are sold under the house name, and others have individual brand names. JadeStar™ is Canfor's brand of premium J-Grade lumber that is sold in Japan. JadeStar is Japan's number-one lumber brand, tailored to the needs of the Japanese market.

SilvaStar® is a leading brand of specialty lumber products including fascia, decking and log cabin siding. Manufactured using premium lumber from Canfor's mills, SilvaStar adds beauty to a home at an affordable price. SilvaStar is manufactured to have zero defects and is 100 percent usable, a benefit that is not common in solid wood trim products.

Canfor framing lumber and Machine Stress Rated lumber are all sold under the Canfor name. These products are primarily Kiln Dried SPF lumber products, but also include Southern Yellow Pine. Canfor produces a *higher level of lumber*® that is reliably straight. Because lumber is manufactured from a natural raw material that is

most important criteria in lumber is straightness, Canfor kiln dries all its lumber to ensure that the product is as straight and true as possible. Canfor values straightness above all else in terms of quality. The species mix, manufacturing expertise and advanced technology give Canfor a significant advantage over other companies. The "It's True" slogan is used by Canfor to reflect the straight and true nature of the product.

Canfor also manufactures structural panel products at four locations. Canfor OSB products are branded Polarboard™. In addition, Canfor manufactures plywood sheathing and added value plywood products.

RECENT DEVELOPMENTS

Canfor has two main priorities: to grow its global building products business, and to make higher-value structural and specialized lumber products for specific customer needs. To achieve these goals, Canfor has developed some of the largest, most advanced sawmills in the world. They are capable of meeting the

growing global demand for consistent quality wood products as well as providing the low cost of manufacturing that is needed to survive.


In addition, Canfor's 2006 purchase of New South Companies Inc. has brought Southern Yellow Pine to the Canfor product mix and a significant import/export business. European wood is imported to supplement Canfor production and satisfy customers on the east coast of the U.S. And as the marketplace for lumber becomes truly global, Canfor continues to pursue strategic partnerships and joint ventures around the world.

China is an emerging marketplace for dimension lumber. To help build this market, Canfor has opened a school of construction in Shanghai. The Canfor Center of Wood Frame Construction teaches bricks and mortar builders the methods and advantages of wood frame construction, thus increasing the number of builders who are interested and capable of building the more environmentally friendly wood frame houses.

PROMOTION

The Canfor name is recognized by the trade as a leading supplier of consistent-quality lumber products. All lumber manufacturing facilities in Canada work to ensure that our product is of consistent quality, as straight and true as possible. Canfor's customers rely on this consistency. Direct advertising and promotion in North America, Asia and Europe promotes Canfor lumber as a *higher level of lumber*®, that is reliably straight and true.

The JadeStar™ brand and sales team are focused on Japan. Advertising explores the key initiatives within the company designed to improve the way in which Canfor does business



DEMAND A HIGHER LEVEL OF LUMBER™

Your customers will save time and money when they build with lumber that gives them more straight pieces in every stack, and that keeps them happy. Which is why at Canfor we consistently kiln-dry our SPF lumber to an optimal moisture level and carefully wrap it for protection to help keep it straight and TRUE. Because we strive to deliver the highest quality lumber possible. And nothing less. So supply a higher level of lumber™ and build customer loyalty, and your profits.

www.canfor.com

CANFOR
IT'S TRUE

™ A HIGHER LEVEL OF LUMBER and the Brand design are trademarks of Canfor Forest Products Ltd.



slightly variable from log to log, Canfor's manufacturing facilities utilise laser scanning and laser grading technology. This advanced technology enables the machines to accommodate any variation in the wood, while still producing the best quality and lowest-cost lumber possible. As the



with Japan. JadeStar offers Japanese customers the supply security, customer service and product quality they need, and delivers it on their terms.

SilvaStar® is mainly promoted in the Western USA, as a cost effective way of adding real curb appeal to a home. The Silvastar brand is promoted directly to both builders and building material suppliers through trade press, trade shows and materials as an alternative to higher-priced cedar and composite products.

BRAND VALUES

"Canfor's reputation is built on the firm foundation of commitment to our customers, reliability of our supply and consistent quality of our product," says Jim Shepherd, chairman and CEO.

Canfor is respected in the industry for having the ability to manage our fibre supply and secure a stable supply of product for our customers. In a commodity marketplace, Canfor has earned its reputation as an established, branded manufacturer of the highest quality lumber that is always in demand around the world.

THINGS YOU DIDN'T KNOW ABOUT CANFOR

- Canfor plants over 50 million trees every year, two to three times as many as are harvested.
- Canfor uses lasers to scan the lumber it produces, producing a 3D image of each piece that can be interpreted by the master computer to help define the grade.
- Canfor produces enough lumber to frame over 250,000 houses every year.
- Canfor employs over 7,300 people and 2,200 contractors.
- Canfor was voted Exporter of the Year for British Columbia in 2005.