



First Quarter 2009 Earnings Presentation

Presented by:

Richard Garneau, President and CEO

David Smales, Vice-President Finance and CFO

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Forward-looking Statements

The presentation and answers to questions today contain forward-looking statements that are based on management's assumptions, including assumptions relating to overall economic conditions, market conditions and demand for the Company's products, production volumes and pricing, capital expenditures, our ability to successfully obtain labour and other cost reductions, anticipated curtailments of operations, fluctuations in foreign exchange rates, liquidity, availability of fibre supplies, fluctuations in availability and cost of raw materials and energy, levels of advertising and circulation, refinancing of Powell River Energy Inc.'s non-recourse debt, and other factors beyond the Company's control. These statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by the Company may occur or what benefits the Company may derive from them. A number of factors could cause actual results to differ materially from those expressed or implied in these statements.

For further details on these factors and our assumptions and applicable risks and uncertainties, please refer to Catalyst Paper's Q1 report, including our management discussion and analysis.

Non-GAAP Measures

Except where otherwise indicated, the financial information in this presentation is determined on the basis of Canadian GAAP.

“EBITDA” is a non-GAAP measure, calculated as operating earnings (loss) plus amortization and impairment. The Company focuses on EBITDA as the Company believes this measure enables comparison of the Company’s results between periods without regard to debt service, income taxes and capital expenditure requirements.

“EBITDA before specific items”, “net earnings (loss) before specific items” and “net earnings (loss) per share before specific items” are non-GAAP measures. The Company uses measures excluding specific items in evaluating its results between periods without regard to specific items that adversely or positively affect its EBITDA and net earnings (loss).

“Free cash flow” is a non-GAAP measure, calculated as EBITDA after capital expenditures, interest and taxes paid, and adjustments to reflect employee future benefit payments. The closest GAAP measure is cash provided by operating activities less cash used by investing activities. The Company reports free cash flow as it believes it is useful for investors and other users to be aware of this measure so they can better assess the Company’s operating performance.

Outline of Presentation



- Q1 Overview
- Outlook and Near-Term Focus
- Q1 Financial Summary

Financial Overview

	2008			2009	LTM
	Q2	Q3	Q4	Q1	
<i>(\$millions, except per share amounts)</i>					
Sales	\$ 452.9	\$ 504.8	\$ 492.2	\$ 352.5	\$1,802.4
EBITDA	\$ 29.5	\$ 53.1	\$ 64.7	\$ 61.1	\$ 208.4
Restructuring costs	1.2	13.1	1.2	4.2	19.7
EBITDA before specific items	\$ 30.7	\$ 66.2	\$ 65.9	\$ 65.3	\$ 228.1
<i>EBITDA margin before specific items</i>	6.8%	13.1%	13.4%	18.5%	12.7%
Net earnings (loss)	\$ (124.3)	\$ (10.9)	\$ (48.5)	\$ 21.0	\$ (162.7)
Net earnings (loss) before specific items	\$ (22.7)	\$ 7.2	\$ 9.3	\$ 8.6	\$ 2.4
<i>Net earnings (loss) per share before specific items</i>	\$ (0.06)	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.01

Q1 2009 Overview

- Global economic recession continued to negatively impact the pulp and paper industry in Q1, 2009 (“Q1”).
- Weak advertising spending and ongoing structural changes in the newspaper industry resulted in significant demand declines for the Company’s paper and pulp products.
- The Company took market related curtailment of approximately 46% of the Company’s newsprint capacity, 13% of specialty printing paper capacity and 40% of its market pulp capacity.
- Lower costs and the positive impact of quarter-over-quarter inventory valuation related to pulp offset the negative impact of lower sales volume and pricing across most products.
- Q1 EBITDA before specific items of \$65.3 million was in line with \$65.9 million in Q4, 2008 and net earnings before specific items of \$8.6 million in Q1 compared to net earnings before specific items of \$9.3 million in Q4, 2008.
- The Company purchased US\$45.8 million of its debt, due June 2011, in the open market, for US\$21.3 million and recorded a gain of \$30.7 million (US\$24.5 million) on the cancellation of this debt. Purchase was financed by the monetization of “in-the-money” currency hedges related to long term debt.

Q1 2009 Overview ... continued

- Announced a restructuring plan at Powell River mill which is expected to deliver estimated annual cost saving of \$13 million by implementing an \$80 per tonne labour cost structure. Over the next 12 months, 127 positions will be reduced and related restructuring costs of up to \$12 million are expected to be incurred.
- Announced further indefinite capacity closures. Crofton No. 1 paper machine (“C1”) was indefinitely curtailed on February 1, 2009. Elk Falls machine No. 2 (“E2”) and No. 5 (“E5”) were curtailed effective February 23, 2009 and NBSK pulp production at the Crofton mill was curtailed on March 8, 2009. This removed 513,000 tonnes of newsprint and uncoated mechanical annual capacity, and 403,000 tonnes of annual pulp capacity and impacts approximately 700 employees through layoffs.
- The following table summarizes pulp and paper production curtailment in Q1:

Q1, 2009 Production Curtailment (tonnes)	Specialty printing papers		Pulp	Total
	Specialty printing papers	Newsprint		
Crofton (Jan/Feb/Mar)	1.0	22.6	34.2	57.8
Elk Falls (Jan/Feb/Mar)	15.4	60.1	-	75.5
Powell River (Jan)	3.2	1.2	-	4.4
Port Alberni (Jan/Mar)	17.1	-	-	17.1
Snowflake (Jan/Feb/Mar)	-	25.5	-	25.5
	36.7	109.4	34.2	180.3

Q1 production curtailment of 180,300 tonnes represented approximately 30% of capacity and enabled the Company to manage its finished goods inventory to an appropriate level.

Update on 2009 Key Priorities

- **Focus on cash flows and liquidity:**
 - generated free cash flow of \$35.9 million in Q1 and liquidity improved by \$2.6 million;
 - recorded a gain of \$30.7 million through buy-back of debt utilizing a source of funds that did not adversely impact available liquidity;
 - capital expenditures are expected to be approximately \$25 million in 2009, compared to \$41.9 million in 2008 and \$85.8 million in 2007;
 - anticipate refinancing non-recourse PREI debt maturing July 2009. A 12-month bridge financing commitment is in place against any unforeseen issues with refinancing.
- **Maintain the Company's focus on matching production to customer orders and keep inventories at appropriate levels:**
 - Q1 curtailment represented approximately 30% of capacity; finished goods inventory of 77,800 tonnes at end of Q1 compares to an average quarter-end inventory level of 105,200 tonnes in 2008 and 80,100 tonnes in the prior quarter.
- **Identify further opportunities to reduce "fixed" costs during periods of production curtailment to minimize the financial impact of operating at reduced volumes:**
 - Mill fixed costs were \$25.3 million lower in Q1 than the previous quarter compared to a reduction in sales volume of 136,000 tonnes. This represents a reduction of \$186 per tonne of reduced volume or approximately 80% of the normal fixed cost burden.

Update on 2009 Key Priorities ... continued

- **Finalize and implement plans to reduce labour costs to \$80 per tonne at Crofton, Elk Falls and Powell River mills:**
 - Powell River - announced a restructuring plan that will be implemented over the next nine to twelve months and will lead to annualized savings of approximately \$13 million.
 - Crofton - reached an agreement with the PPWC local at Crofton and continuing to work with the CEP local at Crofton to meet this target.
 - Elk Falls – the mill is currently indefinitely curtailed.
- **Reduce municipal property taxes in the four municipalities in B.C. that the Company operates in from the current combined level of \$23 million.**
 - Discussions are ongoing with the four municipalities in B.C. and tax bills are expected in May 2009.

EBITDA Reconciliation

Q1 2009 vs. Q4 2008

(\$millions)

	<u>EBITDA¹</u>
Q4 2008 EBITDA	\$ 64.7
Restructuring costs	1.2
Q4 2008 EBITDA before specific items	\$ 65.9
Paper prices	(12.3)
Pulp prices	(7.2)
Impact of CDN\$ on sales, inclusive of hedging ²	4.0
Volume and mix	(44.3)
Fibre mix and costs	5.6
Labour costs	8.7
Distribution costs	5.4
Maintenance	8.8
Lower of cost or market valuation of inventories	18.4
Other fixed costs	7.8
Other, net	4.5
Q1 2009 EBITDA before specific items	\$ 65.3
Restructuring costs	(4.2)
Q1 2009 EBITDA	\$ 61.1

¹ EBITDA and EBITDA before specific items are non-GAAP measures.

² Estimated total impact on EBITDA of average foreign exchange effective rate movement period-to-period is positive \$2.8 million.

Outlook and Near-Term Focus

- North American and global economic environment expected to remain challenging for the Company in 2009.
- Markets are expected to remain weak and price declines are likely to continue due to the current imbalance between supply and demand. Company's ability to sustain its recent level of operating earnings will be negatively impacted.
- The Company remains focused on reducing its cost base enabling it to emerge from the current recession with a lower cost structure and in a better position to take advantage of improved business conditions.
- Capital spending expected to be at a basic maintenance level of \$25 million in 2009.

Outlook and Near-Term Focus ... continued

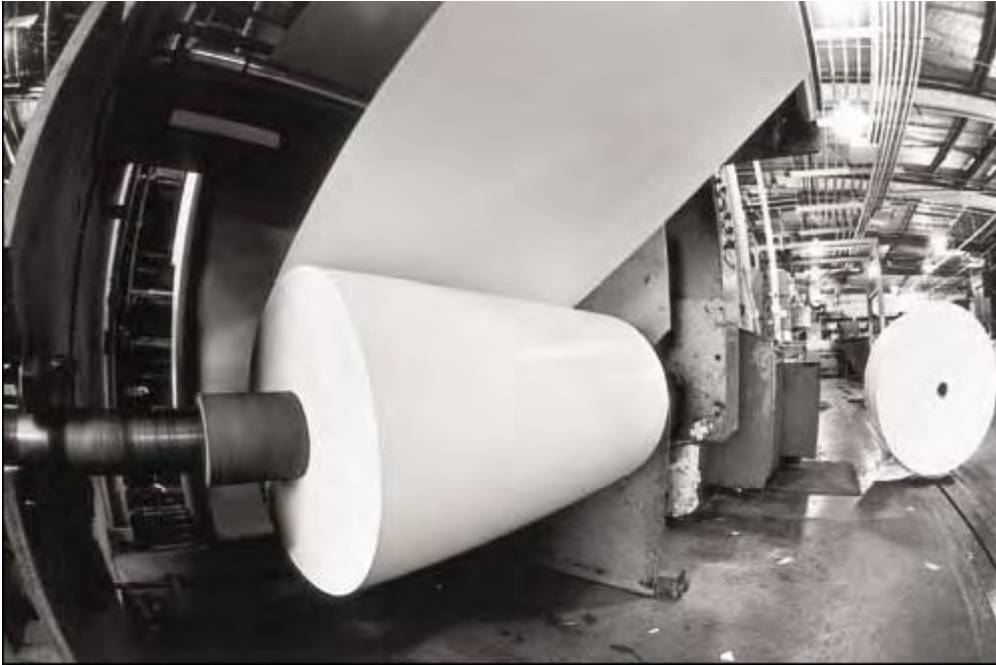
- Expected curtailment in Q2, 2009:

Q2 2009 Production Curtailment (tonnes)	Specialty printing papers	Newsprint	Pulp	Total
Snowflake (Apr/May/Jun)	-	29.4	-	29.4
Crofton (Apr/May/Jun) ¹	-	23.4	85.9	109.3
Elk Falls (Apr/May/Jun) ¹	38.0	93.0	-	131.0
Total	38.0	145.8	85.9	269.7

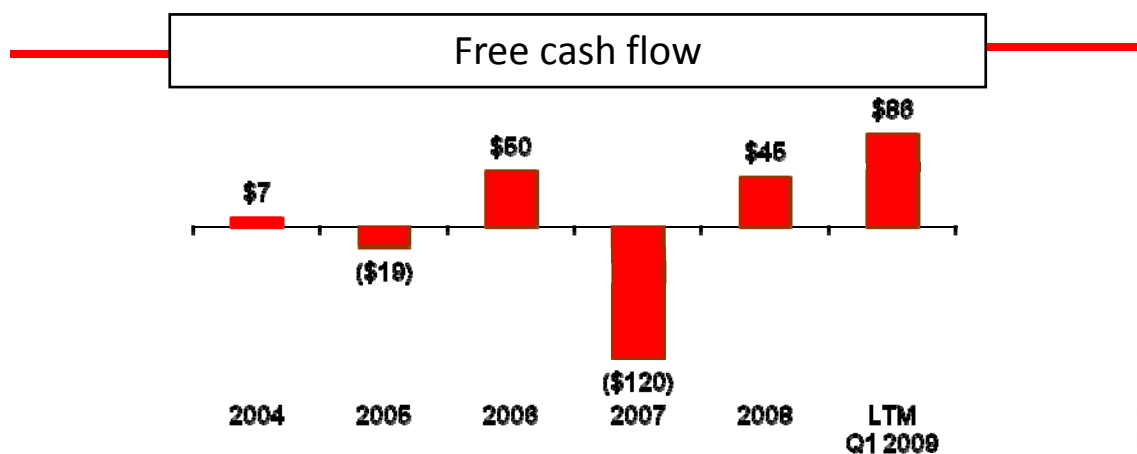
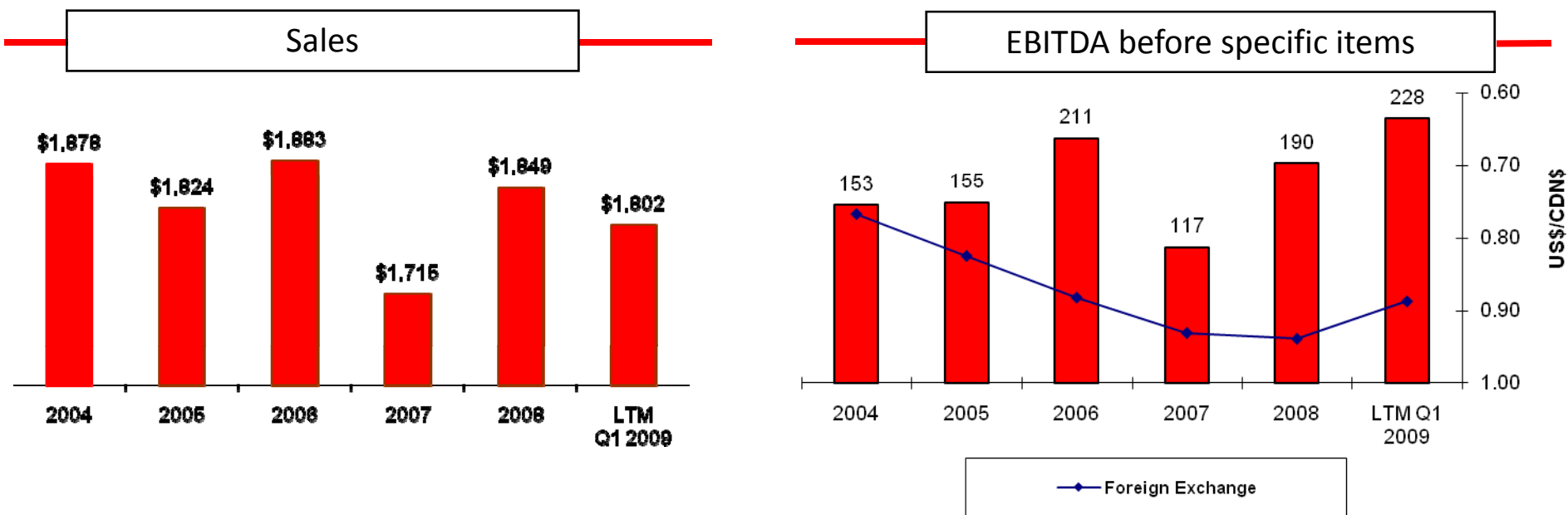
(1) Curtailment includes market curtailment related to C1, E1, E2, E5 and Crofton pulp which are indefinitely curtailed.

- Decisions on more or less curtailment in the second quarter and beyond will be taken as required based on market conditions at the time.

Financial Summary



Summary of Historical Financials (\$millions)



Summary of Financial Results

(\$millions, except F/X rates)	2008			2009	LTM
	Q2	Q3	Q4	Q1	
Sales	\$ 452.9	\$ 504.8	\$ 492.2	\$ 352.5	\$ 1,802.4
Cost of sales and SG&A	422.2	438.6	426.3	287.2	1,574.3
EBITDA before specific items	30.7	66.2	65.9	65.3	228.1
Specific items:					
Restructuring costs	1.2	13.1	1.2	4.2	19.7
EBITDA	\$ 29.5	\$ 53.1	\$ 64.7	\$ 61.1	\$ 208.4
Average F/X spot rate (USD/CAD)	0.990	0.961	0.825	0.803	0.887

Summary of Segmented Financial Information

(\$millions, except where otherwise stated)

	2008			2009	LTM
	Q2	Q3	Q4	Q1	
Sales (000 MT)					
Specialty printing papers	267.4	268.7	276.2	209.0	1,021.3
Newsprint	170.8	189.0	160.2	125.4	645.4
Pulp	130.0	138.0	93.5	59.5	421.0
	<u>568.2</u>	<u>595.7</u>	<u>529.9</u>	<u>393.9</u>	<u>2,087.7</u>
Sales					
Specialty printing papers	\$ 235.3	\$ 248.7	\$ 281.9	\$ 210.7	\$ 976.6
Newsprint	118.3	148.9	143.0	105.6	515.8
Pulp	99.3	107.2	67.3	36.2	310.0
	<u>\$ 452.9</u>	<u>\$ 504.8</u>	<u>\$ 492.2</u>	<u>\$ 352.5</u>	<u>\$ 1,802.4</u>
EBITDA					
Specialty printing papers	\$ 25.6	\$ 40.5	\$ 58.9	\$ 44.6	\$ 169.6
Newsprint	3.0	21.5	23.6	19.9	68.0
Pulp	0.9	(8.9)	(17.8)	(3.4)	(29.2)
	<u>\$ 29.5</u>	<u>\$ 53.1</u>	<u>\$ 64.7</u>	<u>\$ 61.1</u>	<u>\$ 208.4</u>
EBITDA before specific items					
Specialty printing papers	\$ 26.1	\$ 40.6	\$ 57.9	\$ 46.6	\$ 171.2
Newsprint	3.5	21.6	23.5	20.6	69.2
Pulp	1.1	4.0	(15.5)	(1.9)	(12.3)
	<u>\$ 30.7</u>	<u>\$ 66.2</u>	<u>\$ 65.9</u>	<u>\$ 65.3</u>	<u>\$ 228.1</u>
Operating earnings (loss)					
Specialty printing papers	\$ (0.2)	\$ 14.6	\$ 22.6	\$ 21.4	\$ 58.4
Newsprint	(6.9)	11.9	10.6	8.7	24.3
Pulp	(146.2)	(12.5)	(21.7)	(5.9)	(186.3)
	<u>\$ (153.3)</u>	<u>\$ 14.0</u>	<u>\$ 11.5</u>	<u>\$ 24.2</u>	<u>\$ (103.6)</u>

Impact of Specific Items on Net Earnings (Loss)

(\$millions, except per share amounts)	2008			2009	LTM
	Q2	Q3	Q4	Q1	
Net earnings (loss) as reported	\$ (124.3)	\$ (10.9)	\$ (48.5)	\$ 21.0	\$ (162.7)
Specific items (after taxes):					
Foreign exchange loss on long-term debt	1.0	9.1	45.2	10.7	66.0
Impairment and loss on disposal	101.0	–	10.0	–	111.0
Restructuring costs	0.8	9.0	0.9	3.0	13.7
Gain on cancellation of long-term debt	–	–	–	(26.1)	(26.1)
Termination fee on closure of corrugating machine	(1.2)	–	–	–	(1.2)
Income tax adjustments	–	–	1.7	–	1.7
Net earnings (loss) before specific items	(22.7)	7.2	9.3	8.6	2.4
Net earnings (loss) per share before specific items	\$ (0.06)	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.01

Capitalization

(\$millions, except where otherwise stated)

	2008 Dec 31	2009 Mar 31
Total debt		
Senior Notes ⁽¹⁾	\$ 485	\$ 442
Senior Notes ⁽²⁾	307	316
Revolving Asset Based Loan	60	39
Capital lease obligation	12	12
Other non-recourse (PREI)	95	94
Total	\$ 959	\$ 903
Shareholders' equity	870	895
Total capitalization	\$ 1,829	\$ 1,798
Cash	\$ 5	\$ 6
Net debt ratio ⁽³⁾	52%	50%

⁽¹⁾ 8.625% notes, due June 2011 (US\$354.2 million; December 31, 2008 – US\$400 million)

⁽²⁾ 7.375% notes, due March 2014 (US\$250 million)

⁽³⁾ Net debt ratio equals net debt (i.e. total debt less cash), divided by net capitalization

Bond Buy-back Summary

Hedge unwind proceeds (FX hedge on debt C\$24.4m - Q1, 2009; C\$4.0m – April 2009) (Interest rate swap C\$5.0m)		C\$33.4m
Bonds repurchased (face value)	US\$45.8m	
Cost of bonds repurchased (Average price = 46.5 cents)	US\$21.3m	C\$27.0m
Gain on buy-back Gain of C\$30.7 million in Q1 Financial Statements	US\$24.5m	
Hedge proceeds not utilized		C\$6.4m

Free Cash Flow

(\$millions)	2008			2009	LTM
	Q2	Q3	Q4	Q1	
Summarized cash flow					
EBITDA before specific items	\$ 30.7	\$ 66.2	\$ 65.9	\$ 65.3	\$ 228.1
Specific items	(1.2)	(13.1)	(1.2)	(4.2)	(19.7)
EBITDA	29.5	53.1	64.7	61.1	208.4
Cash interest paid, net	(17.1)	(18.8)	(21.1)	(19.2)	(76.2)
Capital spending	(10.8)	(12.1)	(13.5)	(3.6)	(40.0)
Cash taxes paid, net	0.3	0.4	(0.7)	(0.4)	(0.4)
Employee future benefits, net of funding	(0.7)	–	(3.2)	(2.0)	(5.9)
Free cash flow	\$ 1.2	\$ 22.6	\$ 26.2	\$ 35.9	\$ 85.9

Liquidity

(\$millions)	2008			2009
	Q2	Q3	Q4	Q1
Borrowing base	\$ 319.0	\$ 304.1	\$ 263.3	\$ 241.5
Letters of credit	(24.1)	(24.5)	(27.9)	(25.8)
Net amount drawn	(93.5)	(113.5)	(60.1)	(38.8)
Available to be drawn ^{(1), (2)}	\$ 201.4	\$ 166.1	\$ 175.3	\$ 176.9
Cash on hand	–	6.2	5.0	6.0
Total liquidity	\$ 201.4	\$ 172.3	\$ 180.3	\$ 182.9

- (1) Availability effective Q3, 2008 relates to the Company's \$330 million ABL Facility and availability for prior quarters relates to the previous \$350 million revolving operating facility.
- (2) For details related to financial covenants and covenant compliance, refer to note 18 of the Company's Consolidated Financial Statements for the year ended December 31, 2008.

- Increase of \$2.6 million in available liquidity in Q1, 2009
 - Increase primarily reflects lower amount drawn partly offset by lower borrowing base as a result of lower receivables due to higher curtailment and closure of Elk Falls pulp and white top linerboard operation in November 2008.

EBITDA Sensitivities

<i>(\$millions)</i>	EBITDA
Impact of US\$10/t change ^{(1), (3)}	
Specialty printing papers	\$ 14
Newsprint	12
Pulp	4
	\$ 30
Impact of \$0.01 change in US\$ ⁽²⁾	\$ 10
Impact of 5% change in price of: ⁽⁴⁾	
Natural Gas and Oil – direct purchases	\$ 3
Electricity – direct purchases	\$ 7
Coal	\$ 1
Impact of US\$5/unit change ^{(1), (4)}	
Wood chips (Bdt)	\$ 12
ONP (ST)	\$ 4

⁽¹⁾ Based on f/x rate of US\$0.80.

⁽²⁾ Based on movement from US\$0.80 to US\$0.81 and excludes impact of hedging program.

⁽³⁾ Based on full 2009 capacities.

⁽⁴⁾ Based on LTM to March 31, 2009 consumption levels and exchange rate of US\$0.80.