



# Third Quarter 2009 Earnings Presentation

Presented by:

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November 3, 2009

## 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, strength of markets, demand for the Company's products, production volumes and pricing, capital expenditures, future cost savings, achievement of synergies, anticipated curtailment of operations, severance obligations, the impact of labour disruptions affecting suppliers, fluctuations in foreign exchange rates, future cash flows and liquidity, the negative impact on EBITDA of a decline in directory prices in 2010, availability of fibre supplies, fluctuations in availability and cost of raw materials and energy, levels of advertising and circulation, 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 the Company's Q3, Q2 and Q1 Quarterly Reports and the 2008 Annual Report, including the management's discussion and analyses in respect thereof.

## 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



- Q3 Overview
- Outlook and Near-Term Focus
- Q3 Financial Summary

# Financial Overview

	2008	2009			LTM
	Q4	Q1	Q2	Q3	
<i>(\$millions, except per share amounts)</i>					
Sales	\$ 492.2	\$ 352.5	\$ 291.5	\$ 263.4	\$ 1,399.6
EBITDA	\$ 64.7	\$ 61.1	\$ 6.1	\$ 22.9	\$ 154.8
Restructuring costs	1.2	4.2	12.3	—	17.7
EBITDA before specific items	\$ 65.9	\$ 65.3	\$ 18.4	\$ 22.9	\$ 172.5
<i>EBITDA margin before specific items</i>	13.4%	18.5%	6.3%	8.7%	12.3%
Net earnings (loss)	\$ (48.5)	\$ 21.0	\$ (1.9)	\$ 13.2	\$ (16.2)
Net earnings (loss) before specific items	\$ 9.3	\$ 8.6	\$ (25.6)	\$ (19.8)	\$ (27.5)
<i>Net earnings (loss) per share before specific items</i>	\$ 0.02	\$ 0.02	\$ (0.06)	\$ (0.05)	\$ (0.07)

## Q3 2009 Overview

- Market conditions for the Company's paper products did not demonstrate a marked improvement over Q2, 2009 ("Q2").
- Demand for printing papers remained weak, and industry operating rates continued at very low levels.
- Late in the quarter, demand and prices for the Company's paper products began to stabilize as the Company entered what has traditionally been a seasonally stronger part of the year.
- Continued price declines for the Company's paper products and a stronger Canadian dollar in the quarter negatively impacted revenue in Q3, 2009 ("Q3").
- Q3 EBITDA before specific items of \$22.9 million was \$4.5 million higher than EBITDA before specific items of \$18.4 million in Q2 and net loss before specific items of \$19.8 million in Q3 compared to net loss before specific items of \$25.6 million in Q2.

## Q3 2009 Overview ... continued

- The Company took market related curtailment of approximately 48% of the Company's newsprint capacity, 19% of its specialty printing paper capacity and 100% of its market pulp capacity, representing 42% of total market capacity.
- The following table summarizes pulp and paper production curtailment in Q3:

<b>Q3, 2009 Production Curtailment (000 tonnes)</b>	Specialty printing papers	Newsprint	Pulp	Total
Crofton <sup>1</sup>	—	—	85.8	85.8
Elk Falls <sup>2</sup>	53.5	79.1	—	132.6
Snowflake	—	35.1	—	35.1
<b>Total</b>	<b>53.5</b>	<b>114.2</b>	<b>85.8</b>	<b>253.5</b>

(1) Market-related curtailment comprised of 85,800 tonnes of market pulp which was indefinitely curtailed on March 8, 2009.

(2) Market-related curtailment comprised of 38,500 tonnes of specialty printing papers related to E2 which was indefinitely curtailed on February 23, 2009, 15,000 tonnes of specialty printing papers and 23,700 tonnes of newsprint related to E1, which has been curtailed throughout 2009, and 55,400 tonnes of newsprint related to E5 which was indefinitely curtailed on February 23, 2009.

## Q3 2009 Overview ... continued

- Improvement in northern bleached softwood kraft (“NBSK”) pulp prices during Q3 prompted the Company to announce the restart of one of its two pulp production lines at Crofton on October 5, 2009, re-instating 210,000 tonnes of pulp production on an annualized basis.
- The second pulp line at Crofton, with an annualized pulp capacity of 193,000 tonnes, continues to be indefinitely curtailed due to lack of fibre.
- In October, 2009, the Company was allocated \$18 million of credits under the federal government’s “Green Transformation Program,” which can be used to fund capital expenditures incurred on government approved projects prior to March 31, 2012. Funding will be applied as capital expenditures are incurred.

## Update on 2009 Key Priorities

- **Focus on cash flows and liquidity:**
  - free cash flow was \$6.3 million in Q3 and liquidity increased by \$16.7 million from Q2, as a result of cash received from Powell River Energy Inc. (“PREI”) following its refinancing of \$75 million of existing debt upon maturity with \$95 million of new first mortgage bonds, maturing 2016;
  - capital expenditures are expected to be approximately \$15 million in 2009, compared to \$41.9 million in 2008 and \$85.8 million in 2007;
  - in October, 2009, the B.C. Superintendent of Pensions granted the Company a five-year extension with respect to defined benefit pension plan solvency amortization payments which will reduce cash payments by \$2.9 million for the balance of 2009 and \$5.7 million for 2010, for a total reduction of \$8.6 million to the end of 2010.
  - continued to review alternatives for the refinancing of senior unsecured notes in advance of their maturity dates in 2011 and 2014.
- **Maintain the Company’s focus on matching production to customer orders and keep inventories at appropriate levels:**
  - Q3 curtailment represented approximately 32% of paper capacity and 100% of market pulp capacity; finished goods inventory of 51,700 tonnes at the end of Q3 compared to an average quarter-end inventory level of 105,200 tonnes in 2008 and 49,600 tonnes at the end of the prior quarter.

## Update on 2009 Key Priorities ... continued

- **Identify further opportunities to reduce “fixed” costs during periods of production curtailment to minimize the financial impact of operating at reduced volumes:**
  - continued progress on operating costs in Q3 compared to Q2;
  - established a work share arrangement for staff in the Richmond and Nanaimo offices to reduce costs during periods of production curtailment.
- **Implement plans to reduce labour costs to \$80 per tonne:**
  - manning structures at Powell River, Port Alberni, and Crofton mills announced in prior quarters continue to be implemented;
  - a plan that would enable the restart of two paper machines at the Elk Falls mill was presented to the union locals; the plan includes changes to wages and benefits and allows for a profit sharing system for hourly employees.
- **Reduce municipal property taxes in four of the municipalities in B.C. that the Company operates in:**
  - the petition for judicial review of municipal property tax rates in the District of North Cowichan was dismissed by the Supreme Court of British Columbia; the Company has until November 13, 2009 to appeal this decision. Judgments with respect to the three other petitions filed have not yet been rendered.

## EBITDA Reconciliation

### Q3 2009 vs. Q2 2009

<b>Q2, 2009 EBITDA</b> <sup>1</sup>	<b>\$ 6.1</b>
Restructuring costs	12.3
	<hr/>
<b>Q2, 2009 EBITDA before specific items</b> <sup>1</sup>	<b>\$ 18.4</b>
Paper prices	(19.7)
Impact of CDN\$ on sales, inclusive of hedging <sup>2</sup>	(6.3)
Volume and mix	9.4
Fibre mix and costs	2.3
Chemical costs	2.3
Power costs	2.5
Labour costs	2.0
Other fixed costs	4.4
Lower of cost or market valuation of inventories	4.3
Other, net	3.3
	<hr/>
<b>Q3, 2009 EBITDA before specific items</b> <sup>1</sup>	<b>\$ 22.9</b>
Restructuring costs	—
	<hr/>
<b>Q3, 2009 EBITDA</b> <sup>1</sup>	<b>\$ 22.9</b>
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(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 negative \$3.4 million.

## Outlook and Near-Term Focus

- Demand and pricing declines for the Company's paper products moderated during Q3, but there are few indications at this stage of a sustained recovery in print advertising and therefore demand for the Company's paper products.
- Operating results and cash flows will be under continued negative pressure throughout Q4, 2009 ("Q4") and into 2010 due to the strength of the Canadian dollar, high levels of curtailment, and the uncertainty regarding any price recovery for the Company's products.
- Q4 results will be impacted by higher expected maintenance spending in the quarter of approximately \$7 million, compared to Q3.
- The Company expects to curtail 54% of its newsprint capacity, 17% of its specialty printing paper capacity, and 43% of its market pulp capacity in Q4, representing 35% of total capacity.
  - Expected curtailment in Q4,2009:

Q4, 2009 Production Curtailment (000 tonnes)	Specialty printing papers	Newsprint	Pulp	Total
Crofton <sup>1</sup>	1.6	3.1	37.2	41.9
Elk Falls <sup>1</sup>	38.5	94.0	–	132.5
Snowflake	–	32.3	–	32.3
Port Alberni	3.7	–	–	3.7
Powell River	4.8	0.4	–	5.2
Total	48.6	129.8	37.2	215.6

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

- Decisions on more or less curtailment in Q4 and beyond will be taken as required based on market conditions at the time, as well as availability of fibre.

## Outlook and Near-Term Focus ... continued

- The Company anticipates that prices for the Company's specialty printing papers will remain weak in Q4 and are unlikely to improve significantly until current low industry operating rates improve.
- Directory volumes and prices are expected to be lower in 2010 compared to 2009. The anticipated average price decline in 2010 is expected to negatively impact annual EBITDA by \$30-35 million in 2010.
- The Company has announced newsprint price increases of US\$35 per tonne in each of October and November, 2009. However, prices are not expected to see a sustained recovery until industry operating rates improve.
- The Company has announced an NBSK pulp price increase of US\$30 per tonne for the month of October, 2009. Pulp industry operating rates have improved, but the absence of any significant improvement to demand in Europe could temper any sustained improvement to pulp prices.
- The Company's liquidity will be under pressure until there is a sustained and substantial improvement to market conditions for the Company's products.
- The Company remains focused on minimizing the impact on liquidity by actively pursuing all opportunities to conserve cash and reduce expenditures.

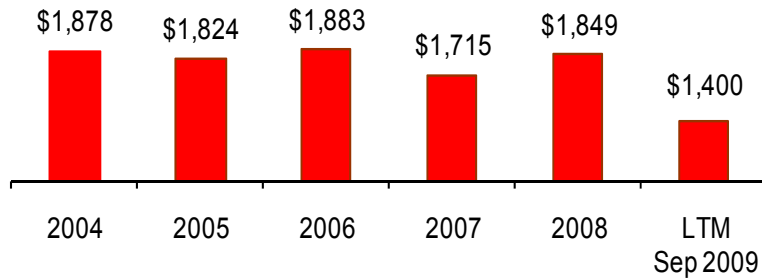
# Financial Summary



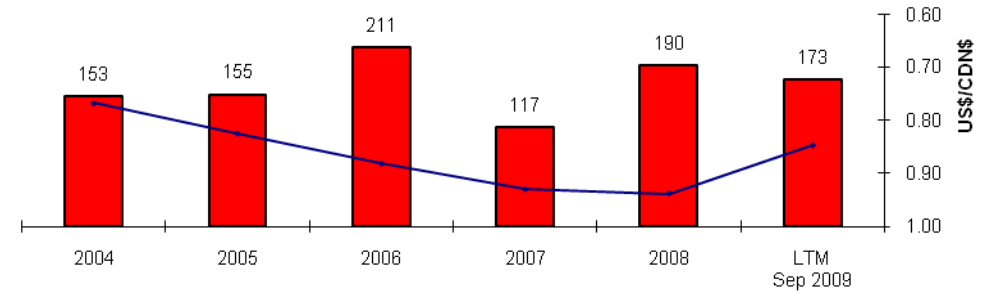
# Summary of Historical Financials

(\$millions)

Sales

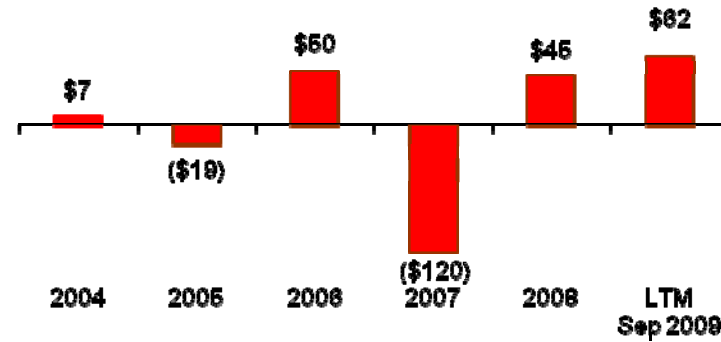


EBITDA before specific items



Foreign Exchange

Free cash flow



## Summary of Financial Results

	2008	2009			LTM
	Q4	Q1	Q2	Q3	
<i>(\$millions, except F/X rates)</i>					
Sales	\$ 492.2	\$ 352.5	\$ 291.5	\$ <b>263.4</b>	\$ <b>1,399.6</b>
Cost of sales and SG&A	426.3	287.2	273.1	<b>240.5</b>	<b>1,227.1</b>
EBITDA before specific items	65.9	65.3	18.4	<b>22.9</b>	<b>172.5</b>
Specific items:					
Restructuring costs	1.2	4.2	12.3	—	<b>17.7</b>
EBITDA	\$ 64.7	\$ 61.1	\$ 6.1	\$ <b>22.9</b>	\$ <b>154.8</b>
Average F/X spot rate (USD/CAD)	0.825	0.803	0.857	<b>0.921</b>	<b>0.847</b>

# Summary of Segmented Financial Information

*(Millions, except where otherwise stated)*

	2008	2009			LTM
	Q4	Q1	Q2	Q3	
<b>Sales (000 MT)</b>					
Specialty printing papers	\$ 276.2	\$ 209.0	\$ 215.6	\$ 232.9	\$ 933.7
Newsprint	160.2	125.4	131.0	113.5	530.1
Pulp	93.5	59.5	12.3	—	165.3
	<u>\$ 529.9</u>	<u>\$ 393.9</u>	<u>\$ 358.9</u>	<u>\$ 346.4</u>	<u>\$ 1,629.1</u>
<b>Sales</b>					
Specialty printing papers	\$ 281.9	\$ 210.7	\$ 199.7	\$ 202.4	\$ 894.7
Newsprint	143.0	105.6	85.1	61.0	394.7
Pulp	67.3	36.2	6.7	—	110.2
	<u>\$ 492.2</u>	<u>\$ 352.5</u>	<u>\$ 291.5</u>	<u>\$ 263.4</u>	<u>\$ 1,399.6</u>
<b>EBITDA</b>					
Specialty printing papers	\$ 58.9	\$ 44.6	\$ 19.2	\$ 33.8	\$ 156.5
Newsprint	23.6	19.9	(11.9)	(8.8)	22.8
Pulp	(17.8)	(3.4)	(1.2)	(2.1)	(24.5)
	<u>\$ 64.7</u>	<u>\$ 61.1</u>	<u>\$ 6.1</u>	<u>\$ 22.9</u>	<u>\$ 154.8</u>
<b>EBITDA before specific items</b>					
Specialty printing papers	\$ 57.9	\$ 46.6	\$ 29.0	\$ 33.3	\$ 166.8
Newsprint	23.5	20.6	(10.0)	(8.6)	25.5
Pulp	(15.5)	(1.9)	(0.6)	(1.8)	(19.8)
	<u>\$ 65.9</u>	<u>\$ 65.3</u>	<u>\$ 18.4</u>	<u>\$ 22.9</u>	<u>\$ 172.5</u>
<b>Operating earnings (loss)</b>					
Specialty printing papers	\$ 22.6	\$ 21.4	\$ (3.6)	\$ 9.4	\$ 49.8
Newsprint	10.6	8.7	(23.8)	(18.8)	(23.3)
Pulp	(21.7)	(5.9)	(2.3)	(3.6)	(33.5)
	<u>\$ 11.5</u>	<u>\$ 24.2</u>	<u>\$ (29.7)</u>	<u>\$ (13.0)</u>	<u>\$ (7.0)</u>

## Impact of Specific Items on Net Earnings (Loss)

(\$millions, except per share amounts)	2008	2009			LTM
	Q4	Q1	Q2	Q3	
<b>Net earnings (loss) as reported</b>	\$ (48.5)	\$ 21.0	\$ (1.9)	\$ 13.2	\$ (16.2)
Specific items (after taxes):					
Foreign exchange (gain) loss on long-term debt	45.2	10.7	(32.2)	(33.0)	(9.3)
Impairment and loss on disposal	10.0	–	–	–	10.0
Restructuring costs	0.9	3.0	8.5	–	12.4
Gain on cancellation of long-term debt	–	(26.1)	–	–	(26.1)
Income tax adjustments	1.7	–	–	–	1.7
<b>Net earnings (loss) before specific items</b>	<b>9.3</b>	<b>8.6</b>	<b>(25.6)</b>	<b>(19.8)</b>	<b>(27.5)</b>
<b>Net earnings (loss) per share before specific items</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>	<b>\$ (0.06)</b>	<b>\$ (0.05)</b>	<b>\$ (0.07)</b>

# Capitalization

*(\$millions, except where otherwise stated)*

	2009 Jun 30	2009 Sep 30
<b>Total debt</b>		
Senior Notes <sup>(1)</sup>	\$ 408	\$ 377
Senior Notes <sup>(2)</sup>	291	269
Revolving Asset Based Loan	–	25
Capital lease obligation	12	11
Other non-recourse (PREI)	95	113
Total	\$ 806	\$ 795
<b>Shareholders' equity</b>	899	916
<b>Total capitalization</b>	\$ 1,705	\$ 1,711
<b>Cash</b>	\$ 42	\$ 91
<b>Net debt ratio <sup>(3)</sup></b>	46%	44%

(1) 8.625% notes, due June 2011 (US\$354.2 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

# Free Cash Flow

(\$millions)	2008	2009			LTM
	Q4	Q1	Q2	Q3	
<b>Summarized cash flow</b>					
EBITDA before specific items	\$ 65.9	\$ 65.3	\$ 18.4	\$ 22.9	\$ 172.5
Specific items	(1.2)	(4.2)	(12.3)	—	(17.7)
EBITDA	64.7	61.1	6.1	22.9	154.8
Cash interest paid, net	(21.1)	(19.2)	(15.5)	(15.9)	(71.7)
Capital spending	(13.5)	(3.6)	(2.2)	(1.0)	(20.3)
Cash taxes paid, net	(0.7)	(0.4)	(0.3)	0.3	(1.1)
Employee future benefits, net of funding <sup>1</sup>	(3.2)	(2.0)	5.5	—	0.3
<b>Free cash flow</b>	<b>\$ 26.2</b>	<b>\$ 35.9</b>	<b>\$ (6.4)</b>	<b>\$ 6.3</b>	<b>\$ 62.0</b>

(1) Free cash flow is adjusted to reflect the cash impact of employee future benefits rather than the accounting expense which is included in EBITDA.

## Liquidity

(\$millions)	2008		2009	
	Q4	Q1	Q2	Q3
Borrowing base <sup>(1)</sup>	\$ 263.3	\$ 241.5	\$ 159.4	\$ <b>151.5</b>
Letters of credit	(27.9)	(25.8)	(24.8)	<b>(24.2)</b>
Net amount drawn	(60.1)	(38.8)	—	<b>(25.0)</b>
Available to be drawn <sup>(2), (3), (4)</sup>	\$ 175.3	\$ 176.9	\$ 134.6	\$ <b>102.3</b>
Cash on hand	5.0	6.0	41.6	<b>90.6</b>
Total liquidity	\$ 180.3	\$ 182.9	\$ 176.2	\$ <b>192.9</b>

(1) The borrowing base at Q3 and Q2, 2009 includes a reserve of \$15.1 million for unpaid property taxes and associated penalties.

(2) Availability relates to the Company's \$330 million ABL Facility.

(3) The Company's ABL Facility is subject to certain financial covenants as disclosed in the Company's interim consolidated financial statements for the nine-month period ended September 30, 2009, in note 6, "Long-term debt." The amount "available to be drawn" is before taking into account the financial covenant to maintain excess availability above \$35 million.

(4) Under the terms of the ABL Facility, the agent has the right to deduct various reserves from the borrowing base. After February 13, 2010, this may include a reserve in respect of vacation pay obligations which as at September 30, 2009 amounted to \$27.2 million. The agent only has the right to impose such a reserve if excess availability, as defined in the ABL Facility, is below a threshold of \$75 million. Excess availability under this definition was \$77.3 million at September 30, 2009. As at this date, the Company had sufficient cash, as well as full availability on a \$25 million cash management sub-line of credits, to repay the \$25.0 million drawn on the ABL Facility, and thereby increase excess availability further above the \$75 million threshold.

## EBITDA Sensitivities

<i>(\$millions)</i>	<u>EBITDA</u>
<b>Impact of US\$10/t change</b> <sup>(1), (2)</sup>	
Specialty printing papers	\$ 13
Newsprint	11
Pulp	4
	<hr/>
	\$ 28
	<hr/>
<b>Impact of \$0.01 change in US\$</b> <sup>(3)</sup>	\$ 5
<b>Impact of 5% change in price of:</b> <sup>(1), (4)</sup>	
Natural gas and oil – direct purchases	\$ —
Electricity – direct purchases	6
Coal	1
<b>Impact of US\$5/unit change</b> <sup>(1), (4)</sup>	
Wood chips (Bdt)	\$ 5
ONP (ST)	3

(1) Based on f/x rate of US\$0.91.

(2) Based on full 2009 capacities.

(3) Based on Q3, 2009 annualized net cash flows and a movement from US\$0.91 to US\$0.92 and excluding the Company's hedging program and the impact of the Company's translation of US. dollar denominated debt.

(4) Based on Q3, 2009 annualized consumption levels.