



taking the initiative
2007 SUMMARY REPORT



2007 was a year of challenges and change, during which Catalyst took decisive action on financial performance, while maintaining social and environmental outcomes that have earned the company recognition as a sectoral leader.

ANNUAL SUMMARY

Key performance statistics

Financials	2007	2006	2005
(In millions of dollars, except where otherwise stated)			
Sales	\$ 1,714.6	\$ 1,882.5	\$ 1,823.9
EBITDA ¹	27.0	211.0	155.2
EBITDA before specific items ¹	116.7	211.0	161.9
Operating earnings (loss)	(149.4)	3.9	(25.1)
Net earnings (loss)	(31.6)	(15.9)	(25.6)
Net earnings (loss) before specific items ¹	(89.3)	(25.0)	(64.6)
Cash flows provided by operations	(2.7)	127.2	60.7
Total debt ²	785.8	860.5	867.3
Total assets	2,453.4	2,637.7	2,695.9
Capital expenditures	85.8	93.2	95.2
Performance improvements	81.2	74.0	84.0
Average spot foreign exchange rate US\$/C\$ ³	0.930	0.882	0.825
Period-end spot foreign exchange rate US\$/C\$ ⁴	1.012	0.858	0.858
Social			
Lost-time injury frequency ⁵	2.00	1.39	1.21
Medical incident rate ⁶	3.67	3.62	3.03
Employee population ⁷	3,038	3,673	3,781
Total payroll (\$ millions) ⁸	304	316	317
Charitable donations (\$ thousands) ⁹	239	320	345
Environmental			
Greenhouse gas emissions ¹⁰	430,914	415,288	398,521
Total reduced sulphur (TRS) emissions ^{11,12}	154	134	136
Particulate emissions ^{11,13}	755	1,193	1,109
Biochemical oxygen demand (BOD) ¹¹	1,596	1,828	3,038
Total suspended solids (TSS) ¹¹	3,490	3,716	4,237
Water use (m ³) ¹⁴	175,027,227	193,620,156	202,775,937
Water use (m ³ /tonne)	70	71	74
Fuel energy use ^{15,16}	39,720,324	46,503,816	45,161,744
Electricity use ¹⁷	4,940,371	5,491,260	5,445,368
Solid waste disposal ¹⁸	154,475	166,249	164,517

¹ EBITDA, EBITDA before specific items, and net earnings (loss) before specific items are non-GAAP measures

² Total debt comprises long-term debt, including current portion

³ Average spot foreign exchange rate is the average Bank of Canada noon spot rate over the reporting period

⁴ Period-end spot foreign exchange rate is the Bank of Canada noon spot rate

⁵ Number of lost-time injuries per 200,000 hours worked

⁶ Number of medical incidents per 200,000 hours worked

⁷ Employee figures for 2006-2007 are as of January 1 (2007 and 2008, respectively) to account for acquisition and restructuring impacts; figures include vacancies

⁸ Payroll figures include all salaries and wages paid, excluding benefits and severance; figures for 2005-2006 have been updated to reflect these criteria

⁹ Donations to Canadian and US charities as reported for tax purposes

¹⁰ Tonnes CO₂e per year

¹¹ Tonnes per year

¹² TRS increases occurred primarily at Crofton and were due to operational issues at one of the recovery boilers and at a pulping line

¹³ Based on actual test results; NPRI data may differ because they include other sources and utilize emissions factors

¹⁴ Figures updated to reflect accounting adjustments

¹⁵ Gigajoules – includes fossil fuels and biomass

¹⁶ Figures for 2005-2006 updated to include some fuels previously excluded from the calculation at one division

¹⁷ Megawatt-hours – purchased and self-generated

¹⁸ Cubic metres per year



2007 HIGHLIGHTS

Key performance outcomes

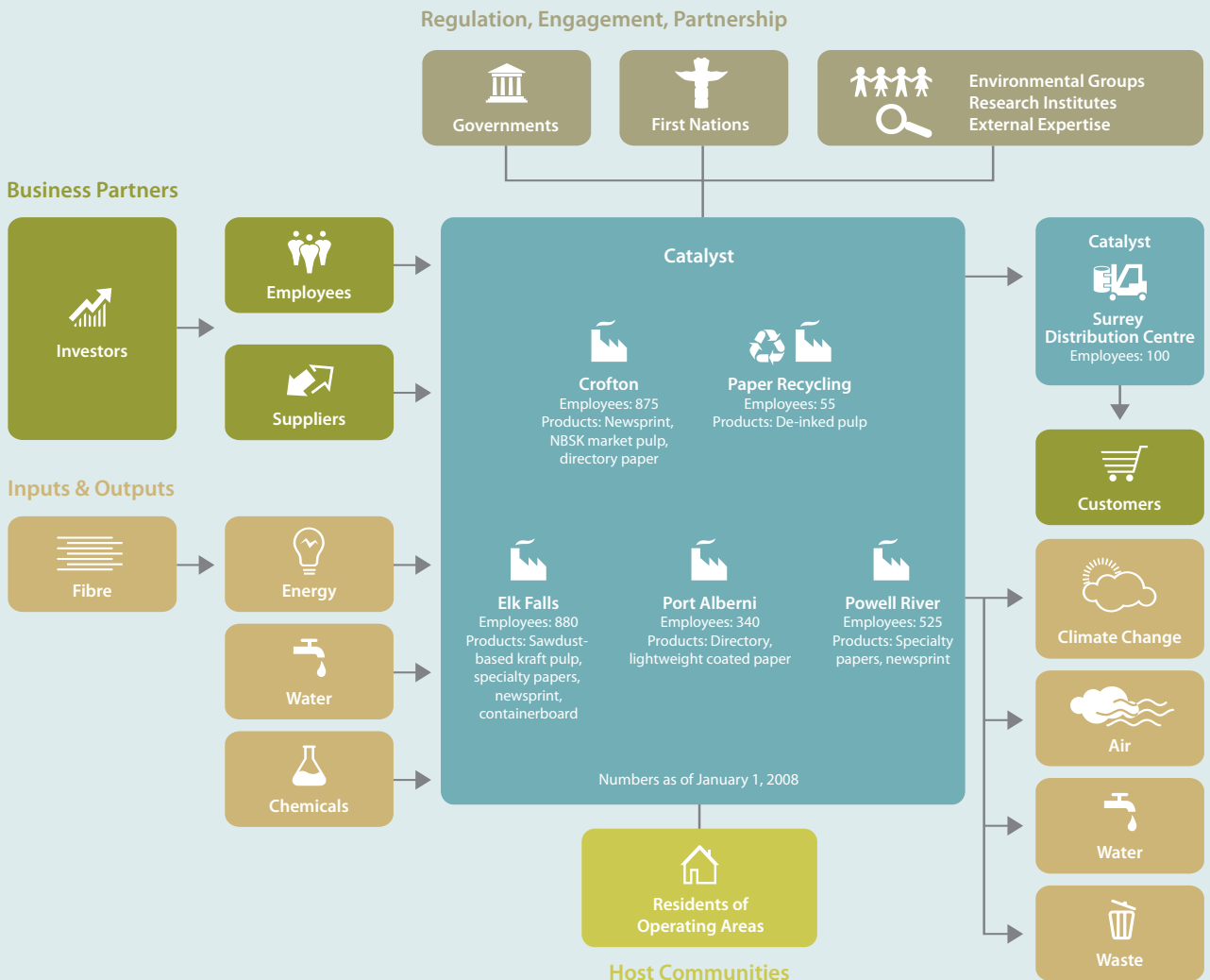
- Posted a net loss of \$31.6 million on sales of \$1,714.6 million, while achieving positive momentum with respect to EBITDA* in the latter part of the year
- Realized \$81 million in performance improvements
- Undertook significant workforce reductions (15 per cent) and restructuring
- Completed five-year program of high-return capital investments, with 2007 capital spending of \$85.8 million
- Selected for inclusion in the Jantzi Social Index – a basket of 60 companies meeting defined environmental, social and governance investment-screening criteria
- Advanced discussions and partnerships with communities and First Nations regarding economic development and environmental initiatives
- Experienced safety challenges, with declining performance on most key metrics
- Achieved a 69 per cent reduction in absolute greenhouse gas emissions relative to a 1990 baseline
- Achieved additional conservation-based reductions of 86,000 MWh in energy use
- Obtained EcoLogo green certification for carbon-neutral biomass energy generation at a third mill
- Improved recovery rate at Paper Recycling Division of old newspapers, magazines and telephone directories
- Assumed direct operation of Surrey Distribution Centre
- Ranked above industry averages for customer satisfaction in most major product lines
- Minimized customer impacts associated with major disruption of fibre supplies during coastal logging strike
- Launched Catalyst Cooled, a product line manufactured with no net increase of carbon emissions to the atmosphere and on which Rolling Stone magazine prints

* Earnings before interest, taxes, depreciation and amortization

Third-party recognition

- Co-recipient – along with the Government of British Columbia, indigenous communities, environmental groups and other forest products companies – of “Gift to the Earth” recognition from the World Wildlife Fund, in connection with Great Bear Rainforest conservation agreement
- Top forest products company in The Globe and Mail Report on Business magazine’s annual ranking of socially responsible companies
- Inclusion in Corporate Knights magazine’s annual list of Canada’s 50 Best Corporate Citizens
- One of two top-ranked companies in the natural resources category in the Jantzi Research/Maclean’s magazine Corporate Social Responsibility Report
- Recipient of the Metafore Product Innovation Award, in recognition of the launch of manufactured carbon-neutral Catalyst Cooled paper
- Recognized as the only forest products company in the Conference Board of Canada’s Climate Disclosure Leadership Index (CDLI)
- Recognized by the Canadian Institute of Chartered Accountants for excellence in corporate reporting, including top ranking for sustainability and governance disclosure
- Recipient (Crofton Division) of a Canadian Industry Program for Energy Conservation Leadership Award from Natural Resources Canada

OPERATING ENVIRONMENT



Product profile							
Segment	Specialty paper				Newsprint	Pulp	
	Uncoated mechanical		Lightweight coated	Directory		Newsprint	Container-board
Category	Soft-calendered	Machine-finished					
Brand names	Electrasoft Electracal Electraprime	Electrabrite Electrastar	Electracote	Catalyst	Marathon	Silverliner Platinumliner Chromiumliner Bronzelineer	Elk Prime Crofton Kraft
Basis weight (g/m ²)	45 – 52	45 – 66.5	44.4 – 63.6	28 – 40	43 – 48.8	127 – 270	n/a
Applications	magazines, supplements, catalogues, inserts, flyers, direct mail, directories	magazines, supplements, inserts, flyers, direct mail, PR and corporate communication books/manuals	magazines, catalogues, inserts, flyers, direct mail	telephone books, airline schedules, catalogues	newspapers, inserts, flyers, supplements, directories, timetables	packaging applications	tissue, freesheet, specialty paper, white-top linerboard
Total capacity (tonnes)		540,000 ¹	231,000	352,000 ¹	606,000 ^{1,2}	131,000	543,000
% of total capacity		22%	10%	15%	25%	5%	23%

¹ Capacities noted can vary as Catalyst is able to switch production between products – particularly newsprint, directory and machine-finished uncoated grades.

² Catalyst indefinitely curtailed the A4 paper machine in Port Alberni effective September 1, 2007, displacing the equivalent of 134,000 tonnes of annual newsprint production. The capacity noted has not been adjusted to reflect this curtailment.

COMPETITIVE ADVANTAGES

- Low carbon footprint and lower fossil fuels cost exposure, with 87% of energy from renewable sources
- Demonstrated capacity to visibly embed sustainability attributes in products
- Expertise and strong capacity related to recycled fibre production and use
- Third-party certifications: comprehensive ISO certifications (9001 quality standard, 14001 EMS standard, 14064 GHG standard); PricewaterhouseCoopers chain-of-custody verification re certified fibre; and Forest Stewardship Council post-consumer waste certification of recycled fibre
- Diversified products, with growing emphasis on higher-value and more profitable specialty papers and lighter basis weights
- Well-located manufacturing operations within proximity of key North American markets
- Flexible transportation network, including cost-effective multi-modal connections to North American, Latin American, Western European and Asian/Australasian markets
- Collaborative relationships with environmental and other non-governmental organizations, and constructive labour relations

Catalyst Paper Corporation is a leading producer of mechanical printing papers in North America, headquartered in Richmond, British Columbia, Canada. The company also produces market kraft pulp and owns Western Canada's largest paper recycling facility. With five mills employing approximately 3,000 people at sites within a 160-kilometre radius on the south coast of British Columbia, Catalyst has a combined annual capacity of 2.4 million tonnes of product. Catalyst's common shares trade on the Toronto Stock Exchange under the symbol CTL.

Full details on Catalyst's 2007 performance and further discussion of its operating environment and stakeholder relationships are provided in the company's annual report and sustainability report, which are available at www.catalystpaper.com.



Catalyst

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Pictured on cover (left to right) Drew Kilback, Richmond; Erika Horvath, Richmond; Tim Perry, Crofton Division; Loris Gaiga, Port Alberni Division; Grant Eriksen (Storie Creek Streamkeepers).

Pictured Inside Joe Psaila, Powell River Division (left, foreground).

Paper Facts

per report (29 g)

Inputs	
Raw fibre (g)	59
% certified sources	100
Filler (g)	1
Water (L)	2.1
Work (person secs)	0.2
Energy (cal)	188
% renewable	85
Emissions	
Greenhouse gas (g)	7.3*
Air particulate (mg)	15.9
Effluent BOD (mg)	37.1
Solid waste (cm ³)	2.6

* Catalyst Cooled – offset to zero