

Canfor Corporation and Canfor Pulp Products Inc.
Quarter 3, 2015
Financial Performance Overview



Presented by:

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Forward-Looking Statements



- 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.
- For further details on these factors and our assumptions and applicable risks and uncertainties, please refer to Canfor Corporation's and Canfor Pulp Products Inc.'s Annual Reports for the year ended December 31, 2014 and Management's Discussion & Analysis for the three and nine months ended September 30, 2015.

Canfor Corporation
Q3 2015 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q3 2015		Q2 2015	
	\$	\$/Share	\$	\$/Share
Shareholder net income (loss) , as reported	\$ (17.3)	\$ (0.13)	\$ 11.1	\$ 0.08
Non-operating / unusual items (after-tax, net of non-controlling interests)				
(Gain) loss on derivative financial instruments	\$ 9.3	\$ 0.07	\$ (7.7)	\$ (0.06)
Mill closure provision	\$ 14.4	\$ 0.11	\$ -	\$ -
Mark-to-market gain on investment in Lakeland Mills Ltd. and Winton Global Lumber Ltd.	\$ -	\$ -	\$ (6.1)	\$ (0.05)
Mark-to-market loss on Taylor Pulp contingent consideration, net	\$ -	\$ -	\$ 0.7	\$ 0.01
Net impact of above items	\$ 23.7	\$ 0.18	\$ (13.1)	\$ (0.10)
Shareholder net income (loss), as adjusted	\$ 6.4	\$ 0.05	\$ (2.0)	\$ (0.02)

Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q3 2015	Q2 2015	Variance
Gross Sales	\$ 989.9	\$ 952.4	\$ 37.5
Operating income (loss) by segment:			
Lumber	\$ (26.9)	\$ 5.1	\$ (32.0)
Pulp and Paper	\$ 42.3	\$ 20.9	\$ 21.4
Unallocated and Other	\$ (6.9)	\$ (8.4)	\$ 1.5
Total operating income, as reported	\$ 8.5	\$ 17.6	\$ (9.1)
Included in above:			
Mill closure provision	\$ 19.4	\$ -	\$ 19.4
Operating income before one-time adjustments	\$ 27.9	\$ 17.6	\$ 10.3
Average exchange rate (US\$ per C\$1.00)	\$ 0.764	\$ 0.813	\$ (0.049)

Operating income (loss) before amortization			
Lumber	\$ 8.4	\$ 40.6	\$ (32.2)
Pulp and Paper	\$ 58.6	\$ 36.5	\$ 22.1
Unallocated and Other	\$ (5.9)	\$ (7.3)	\$ 1.4
Total operating income before amortization	\$ 61.1	\$ 69.8	\$ (8.7)
Included in above:			
Mill closure provision	\$ 19.4	\$ -	\$ 19.4
Operating income before amortization and one-time adjustments	\$ 80.5	\$ 69.8	\$ 10.7

Canfor Corporation
Lumber: Q3 2015 vs. Q2 2015



(millions of dollars unless otherwise noted)	Q3 2015	Q2 2015	Variance
Sales	\$ 695.3	\$ 676.0	\$ 19.3
Operating income before amortization ¹	\$ 8.4	\$ 40.6	\$ (32.2)
Operating income (loss)	\$ (26.9)	\$ 5.1	\$ (32.0)
Included in above:			
Mill closure provision	\$ 19.4	\$ -	\$ 19.4
Inventory valuation adjustments	\$ 6.2	\$ -	\$ 6.2
Operating income (loss) before one-time and inventory valuation adjustments	\$ (1.3)	\$ 5.1	\$ (6.4)
Average SPF 2x4 #2&Btr lumber price in CDN\$	\$ 352	\$ 332	\$ 20
Average SYP 2x4 #2 lumber price in US\$	\$ 331	\$ 383	\$ (52)
Production - SPF lumber (MMfbm)	927	961	(34)
Production - SYP lumber (MMfbm)	302	305	(3)
Shipments - Canfor-produced SPF lumber (MMfbm)	1,014	1,046	(32)
Shipments - Canfor-produced SYP lumber (MMfbm)	323	316	7

Adjusted operating earnings down \$6 million to \$(1.3) million

- **SYP sales realizations down while WSPF sales realizations in line with Q2**

- WSPF sales realizations – 6% weaker CDN\$ offset declines in low grade lumber prices and slightly higher average export tax in Q3 (July 15% / Aug 5% / Sept 5%)
- SYP realizations moderately lower – 14% decrease in SYP East 2x4 benchmark price partly offset less pronounced declines in wide dimension and higher value products

- **Lumber shipments and production down 2% and 3%, respectively:** productivity improvements more than offset statutory holidays and operating shift changes quarter-over-quarter

- **Unit manufacturing costs slightly lower:** Improved productivity and seasonally lower energy costs

Note 1 - Controlling operating income before amortization, one time items and inventory devaluations (excluding Canfor's non-controlling interest in Scotch Gulf, Beadles & Balfour and Houston Pellet LP) for Q3 2015 was \$29.0 million. (Q2 2015: \$34.7 million)

Canfor Pulp Products Inc.
Q3 2015 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q3 2015		Q2 2015	
	\$	\$/Share	\$	\$/Share
Net income, as reported	\$ 31.2	\$ 0.45	\$ 17.7	\$ 0.25
Non-operating / unusual items (after-tax)				
(Gain) loss on derivative financial instruments	\$ 3.6	\$ 0.05	\$ (3.4)	\$ (0.05)
Mark-to-market gain on Taylor Pulp sale contingent consideration	\$ -	\$ -	\$ (1.3)	\$ (0.02)
Net impact of above items	\$ 3.6	\$ 0.05	\$ (4.7)	\$ (0.07)
Net income, as adjusted	\$ 34.8	\$ 0.50	\$ 13.0	\$ 0.18

Canfor Pulp Products Inc. Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q3 2015	Q2 2015	Variance
Gross Sales	\$ 294.1	\$ 276.0	\$ 18.1
Operating income (loss) by segment:			
Pulp	\$ 38.2	\$ 18.1	\$ 20.1
Paper	\$ 7.1	\$ 5.7	\$ 1.4
Unallocated	\$ (3.0)	\$ (2.9)	\$ (0.1)
Total operating income	\$ 42.3	\$ 20.9	\$ 21.4
Net income, as reported	\$ 31.2	\$ 17.7	\$ 13.5
Operating income (loss) before amortization by segment:			
Pulp	\$ 53.7	\$ 32.8	\$ 20.9
Paper	\$ 8.0	\$ 6.5	\$ 1.5
Unallocated	\$ (3.0)	\$ (2.9)	\$ (0.1)
Total operating income before amortization	\$ 58.7	\$ 36.4	\$ 22.3
Average NBSK pulp list price delivered to U.S. - US\$	\$ 967	\$ 980	\$ (13)
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 1,266	\$ 1,205	\$ 61
Production - Pulp (000 mt) ¹	311	295	16
Shipments - Pulp (000 mt) ¹	307	292	15

Pulp operating income up \$20.1 million to \$38.2 million

- **Sales realizations moderately higher** : 6% weaker CDN\$ more than offset lower NBSK pricing in all regions; BCTMP sales realizations impacted by challenging markets
- **Pulp shipments and production up 5%**: Fewer scheduled maintenance outages quarter-over-quarter and improved NBSK productivity; Northwood scheduled outage in Q3 (6,000 tonnes); scheduled outages at Intercontinental and Prince George (11,000 tonnes) and Taylor (3,000 tonnes) in Q2
- **Unit manufacturing costs down modestly**: Impact of scheduled maintenance outages and, to a lesser extent, seasonally lower energy costs

Paper operating income up \$1.4 million to \$7.1 million

- **Paper production up 12% while shipments down 5%**: Scheduled outage at the paper machine in Q2
- **Sales realizations up from Q2**: 6% weaker CDN\$ offset lower prices and prime bleached shipments from Q2
- **Unit manufacturing costs lower**: Impact of scheduled maintenance outages offset by increased market driven slush pulp costs

Note 1 - Pulp production and shipment volumes in 2015 include BCTMP volumes subsequent to CPPI's purchase of the Taylor BCTMP Mill on January 30, 2015.