

Canfor Corporation and Canfor Pulp Products Inc.
Quarter 2, 2016
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, 2015 and Management's Discussion & Analysis for the six months ended June 30, 2016.

Canfor Corporation
Q2 2016 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q2 2016		Q1 2016	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 36.0	\$ 0.27	\$ 26.0	\$ 0.20
Non-operating / unusual items (after-tax, net of non-controlling interests)				
(Gain) loss on derivative financial instruments	\$ (2.3)	\$ (0.02)	\$ 1.8	\$ 0.01
Foreign exchange gain on long term debt	\$ (0.3)	\$ -	\$ (6.9)	\$ (0.05)
Gain on legal settlement, net	\$ (6.9)	\$ (0.05)	\$ -	\$ -
Net impact of above items	\$ (9.5)	\$ (0.07)	\$ (5.1)	\$ (0.04)
Shareholder net income, as adjusted	\$ 26.5	\$ 0.20	\$ 20.9	\$ 0.16

Canfor Corporation
Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q2 2016	Q1 2016	Variance
Gross Sales	\$ 1,022.3	\$ 1,067.9	\$ (45.6)
Operating income (loss) by segment:			
Lumber	\$ 71.5	\$ 33.4	\$ 38.1
Pulp and Paper	\$ 5.2	\$ 39.1	\$ (33.9)
Unallocated and Other	\$ (7.1)	\$ (7.4)	\$ 0.3
Total operating income, as reported	\$ 69.6	\$ 65.1	\$ 4.5
Average exchange rate (US\$ per C\$1.00)	\$ 0.776	\$ 0.728	\$ 0.048

Operating income (loss) before amortization			
Lumber	\$ 110.9	\$ 74.2	\$ 36.7
Pulp and Paper	\$ 22.1	\$ 57.8	\$ (35.7)
Unallocated and Other	\$ (5.9)	\$ (6.3)	\$ 0.4
Total operating income before amortization	\$ 127.1	\$ 125.7	\$ 1.4



	Q2 2016	Q1 2016	Variance
(millions of dollars unless otherwise noted)			
Sales	\$ 765.3	\$ 772.6	\$ (7.3)
Operating income before amortization	\$ 110.9	\$ 74.2	\$ 36.7
Operating income	\$ 71.5	\$ 33.4	\$ 38.1
Average SPF 2x4 #2&Btr lumber price in CDN\$	\$ 401	\$ 374	\$ 27
Average SYP 2x4 #2 lumber price in US\$	\$ 437	\$ 407	\$ 30
Production - SPF lumber (MMfbm)	955	967	(12)
Production - SYP lumber (MMfbm)	335	336	(1)
Shipments - Canfor-produced SPF lumber (MMfbm)	996	1,006	(10)
Shipments - Canfor-produced SYP lumber (MMfbm)	348	349	(1)

Operating earnings up \$38.1 million to \$71.5 million

- Includes a one-time legal settlement gain of \$15.5 million. Adjusted lumber operating earnings up \$22.6 million to \$56.0 million
- Higher WSPF and SYP unit sales realizations, Seasonally lower log sales in Western Canada
 - WSPF sales realizations – 14% improvement in US-dollar WSPF 2x4 #2&Btr price, more modest increase for WSPF 2x6 #2&Btr partly offset by 7% stronger CDN\$
 - SYP sales realizations – 7% increase in SYP East 2x4 benchmark price, more pronounced increases in most wider-dimension SYP products to which Canfor is more heavily weighted
- Acquisition of Wynndel Box and Lumber on April 15, 2016
- Lumber production and shipments, and unit manufacturing costs broadly in line with Q1

Canfor Pulp Products Inc.
Q2 2016 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q2 2016		Q1 2016	
	\$	\$/Share	\$	\$/Share
Net income, as reported	\$ 2.2	\$ 0.03	\$ 23.1	\$ 0.34
Non-operating / unusual items (after-tax)				
Gain on derivative financial instruments	\$ -	\$ -	\$ -	\$ -
Net impact of above items	\$ -	\$ -	\$ -	\$ -
Net income, as adjusted	\$ 2.2	\$ 0.03	\$ 23.1	\$ 0.34

Canfor Pulp Products Inc. Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q2 2016	Q1 2016	Variance
Gross Sales	\$ 257.2	\$ 295.3	\$ (38.1)
Operating income (loss) by segment:			
Pulp	\$ 1.8	\$ 33.0	\$ (31.2)
Paper	\$ 5.5	\$ 8.9	\$ (3.4)
Unallocated	\$ (2.1)	\$ (2.8)	\$ 0.7
Total operating income	\$ 5.2	\$ 39.1	\$ (33.9)
Net income, as reported	\$ 2.2	\$ 23.1	\$ (20.9)
Operating income (loss) before amortization by segment:			
Pulp	\$ 17.8	\$ 50.7	\$ (32.9)
Paper	\$ 6.4	\$ 9.9	\$ (3.5)
Unallocated	\$ (2.1)	\$ (2.8)	\$ 0.7
Total operating income before amortization	\$ 22.1	\$ 57.8	\$ (35.7)
Average NBSK pulp list price delivered to U.S. - US\$	\$ 980	\$ 943	\$ 37
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 1,263	\$ 1,296	\$ (33)
Production - Pulp (000 mt)	280	322	(42)
Shipments - Pulp (000 mt)	287	319	(32)

Pulp operating income down \$31.2 million to \$1.8 million

- **Sales realizations modestly lower:** NBSK pulp prices to NA and China up US\$37/tonne and US\$27/tonne, respectively but outweighed by 7% stronger CDN\$ and a high proportion of shipments early in the quarter when prices were lower; BCTMP prices improved but more than offset by stronger CDN\$
- **Shipments and production down 10% and 13%, respectively:** Reflecting significant scheduled maintenance outages at all three NBSK pulp mills and, to a lesser extent, several isolated unplanned disruptions leading into the scheduled outages
- **Higher unit manufacturing costs:** Principally due to impact of significant maintenance outages
- **Energy revenues lower:** Seasonally lower energy prices and lower power generation due to downtime in Q2

Paper operating income down \$3.4 million to \$5.5 million

- Lower unit sales realizations combined with the impact of five-day scheduled maintenance outage