

**Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 1, 2017  
Financial Performance Overview**



Presented by:

Alan Nicholl - Senior Vice President, Finance & CFO



- 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, 2016 and Management's Discussion & Analysis for the three months ended March 31, 2017.

**Canfor Corporation**  
**Q1 2017 Review: Items Impacting Earnings Comparability**



(millions of dollars, except for per share amounts)	Q1 2017		Q4 2016	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 66.1	\$ 0.50	\$ 38.0	\$ 0.29
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Gain on derivative financial instruments	\$ (2.4)	\$ (0.02)	\$ (1.5)	\$ (0.01)
Foreign exchange (gain) / loss on long-term debt	\$ (1.0)	\$ (0.01)	\$ 2.7	\$ 0.01
Mill closure provision recovery	\$ -	\$ -	\$ (1.5)	\$ (0.01)
Gain on sale of investment in Anthony EACOM Inc.	\$ (3.4)	\$ (0.02)	\$ -	\$ -
Net impact of above items	\$ (6.8)	\$ (0.05)	\$ (0.3)	\$ -
Shareholder net income, as adjusted	\$ 59.3	\$ 0.45	\$ 37.7	\$ 0.29

## Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q1 2017	Q4 2016	Variance
Gross Sales	\$ 1,126.2	\$ 1,043.5	\$ 82.7
Operating income (loss) by segment:			
Lumber	\$ 83.7	\$ 57.4	\$ 26.3
Pulp and Paper	\$ 35.2	\$ 22.9	\$ 12.3
Unallocated and Other	\$ (12.1)	\$ (6.3)	\$ (5.8)
<b>Total operating income, as reported</b>	<b>\$ 106.8</b>	<b>\$ 74.0</b>	<b>\$ 32.8</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.756	\$ 0.750	\$ 0.006

Operating income (loss) before amortization			
Lumber	\$ 127.2	\$ 101.0	\$ 26.2
Pulp and Paper	\$ 54.0	\$ 42.1	\$ 11.9
Unallocated and Other	\$ (12.1)	\$ (5.5)	\$ (6.6)
<b>Total operating income before amortization</b>	<b>\$ 169.1</b>	<b>\$ 137.6</b>	<b>\$ 31.5</b>



(millions of dollars unless otherwise noted)	Q1 2017	Q4 2016	Variance
Sales	\$ 817.1	\$ 785.7	\$ 31.4
Operating income before amortization	\$ 127.2	\$ 101.0	\$ 26.2
Operating income	\$ 83.7	\$ 57.4	\$ 26.3
Average SPF 2x4 #2&Btr lumber price in CDN\$	\$ 460	\$ 420	\$ 40
Average SYP East 2x4 #2 lumber price in US\$	\$ 482	\$ 445	\$ 37
Production - SPF lumber (MMfbm)	936	912	24
Production - SYP lumber (MMfbm)	362	324	38
Shipments - Canfor-produced SPF lumber (MMfbm)	925	940	(15)
Shipments - Canfor-produced SYP lumber (MMfbm)	346	332	14

**Operating income up \$26.3 million to \$83.7 million in Q1**

- **Higher benchmark lumber prices**
  - WSPF sales realizations – Strong underlying demand and trade uncertainty supporting benchmark lumber prices, partly offset by 1% stronger CDN \$ and timing of external shipments (compared to orders)
  - SYP sales realizations – Improving demand, seasonally higher prices and increasing WSPF prices supporting benchmark SYP lumber prices
- **Lumber production up 5% compared to the prior quarter largely due to improved productivity and additional operating days in the current quarter**
- **Lumber shipments in line with the prior quarter reflecting weather-related transportation constraints in North America**
- **Unit manufacturing costs in line with prior quarter with improved productivity offsetting higher market-based stumpage and increased log costs resulting from weather challenges**

## Canfor Pulp Products Inc. Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q1 2017	Q4 2016	Variance
<b>Gross Sales</b>	\$ 309.2	\$ 257.8	\$ 51.4
Operating income (loss) by segment:			
Pulp	\$ 31.1	\$ 18.1	\$ 13.0
Paper	\$ 7.1	\$ 8.1	\$ (1.0)
Unallocated	\$ (3.0)	\$ (3.3)	\$ 0.3
<b>Total operating income</b>	\$ 35.2	\$ 22.9	\$ 12.3
<b>Net income, as reported</b>	\$ 24.1	\$ 10.1	\$ 14.0
Operating income (loss) before amortization by segment:			
Pulp	\$ 49.0	\$ 36.2	\$ 12.8
Paper	\$ 8.0	\$ 9.1	\$ (1.1)
Unallocated	\$ (3.0)	\$ (3.2)	\$ 0.2
<b>Total operating income before amortization</b>	\$ 54.0	\$ 42.1	\$ 11.9
Average NBSK pulp list price delivered to China - US\$	\$ 645	\$ 595	\$ 50
Average NBSK pulp list price delivered to China - CDN\$	\$ 853	\$ 794	\$ 59
Production - Pulp (000 mt)	317	304	13
Shipments - Pulp (000 mt)	337	275	62

### Pulp operating income up \$13.0 million to \$31.1 million

- **Shipments up 22%** reflecting increased shipments to China and North America and the impact of the delayed vessel shipment over year end
- **Production up 4%** reflecting improved productivity following the weather-related impacts on production in the prior quarter
- **Modestly lower unit manufacturing costs** reflecting improved productivity, offset in part by seasonally higher energy consumption
- **NBSK Sales realizations broadly in line:** Timing of shipments (versus orders) and stronger CDN \$ offsetting benefit of improving global softwood pulp markets; Higher BCTMP sales realizations reflecting continued strong demand
- **Energy revenues higher:** Seasonally higher power generation and slightly higher energy prices

### Paper operating income down \$1.0 million to \$7.1 million

- Stronger CDN \$ and slightly higher unit manufacturing costs reflecting timing of maintenance spend