

Canfor Corporation and Canfor Pulp Products Inc.
Quarter 4, 2017
Financial Performance Overview



Presented by:

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- 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, 2017.



(millions of dollars, except for per share amounts)	Q4 2017		Q3 2017	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 131.8	\$ 1.02	\$ 66.2	\$ 0.51
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Countervailing and anti-dumping duty deposits (recovery)	\$ (17.3)	\$ (0.13)	\$ 23.8	\$ 0.18
Change in substantively enacted tax legislation	\$ (5.1)	\$ (0.04)	\$ -	\$ -
Loss on derivative financial instruments	\$ 4.8	\$ 0.04	\$ 1.4	\$ 0.01
Foreign exchange (gain) loss on long-term debt	\$ 0.6	\$ -	\$ (4.4)	\$ (0.03)
Mill closure provision recovery	\$ -	\$ -	\$ (2.4)	\$ (0.02)
Net impact of above items	\$ (17.0)	\$ (0.13)	\$ 18.4	\$ 0.14
Shareholder net income, as adjusted	\$ 114.8	\$ 0.89	\$ 84.6	\$ 0.65

Canfor Corporation

Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q4 2017	Q3 2017	Variance
Gross Sales	\$ 1,182.2	\$ 1,165.2	\$ 17.0
Reported Operating income (loss) by segment:			
Lumber	\$ 154.9	\$ 92.9	\$ 62.0
Pulp and Paper	\$ 66.8	\$ 21.1	\$ 45.7
Unallocated and Other	\$ (7.5)	\$ (8.6)	\$ 1.1
Total operating income, as reported	\$ 214.2	\$ 105.4	\$ 108.8
Total operating income, as adjusted¹	\$ 190.8	\$ 134.3	\$ 56.5
Average exchange rate (US\$ per C\$1.00)	\$ 0.786	\$ 0.798	\$ (0.012)

Reported operating income (loss) before amortization			
Lumber	\$ 200.1	\$ 136.1	\$ 64.0
Pulp and Paper	\$ 85.6	\$ 39.4	\$ 46.2
Unallocated and Other	\$ (7.5)	\$ (8.6)	\$ 1.1
Total operating income before amortization, as reported	\$ 278.2	\$ 166.9	\$ 111.3
Total operating income before amortization, as adjusted¹	\$ 254.8	\$ 195.8	\$ 59.0

¹ Adjusted for countervailing and anti-dumping duty deposits expensed for accounting purposes (net recovery of \$23.4 million in Q4 2017, expense of \$32.1 million in Q3 2017), and a recovery of \$3.2 million in the third quarter of 2017 reflecting lower estimated Canal Flats closure costs

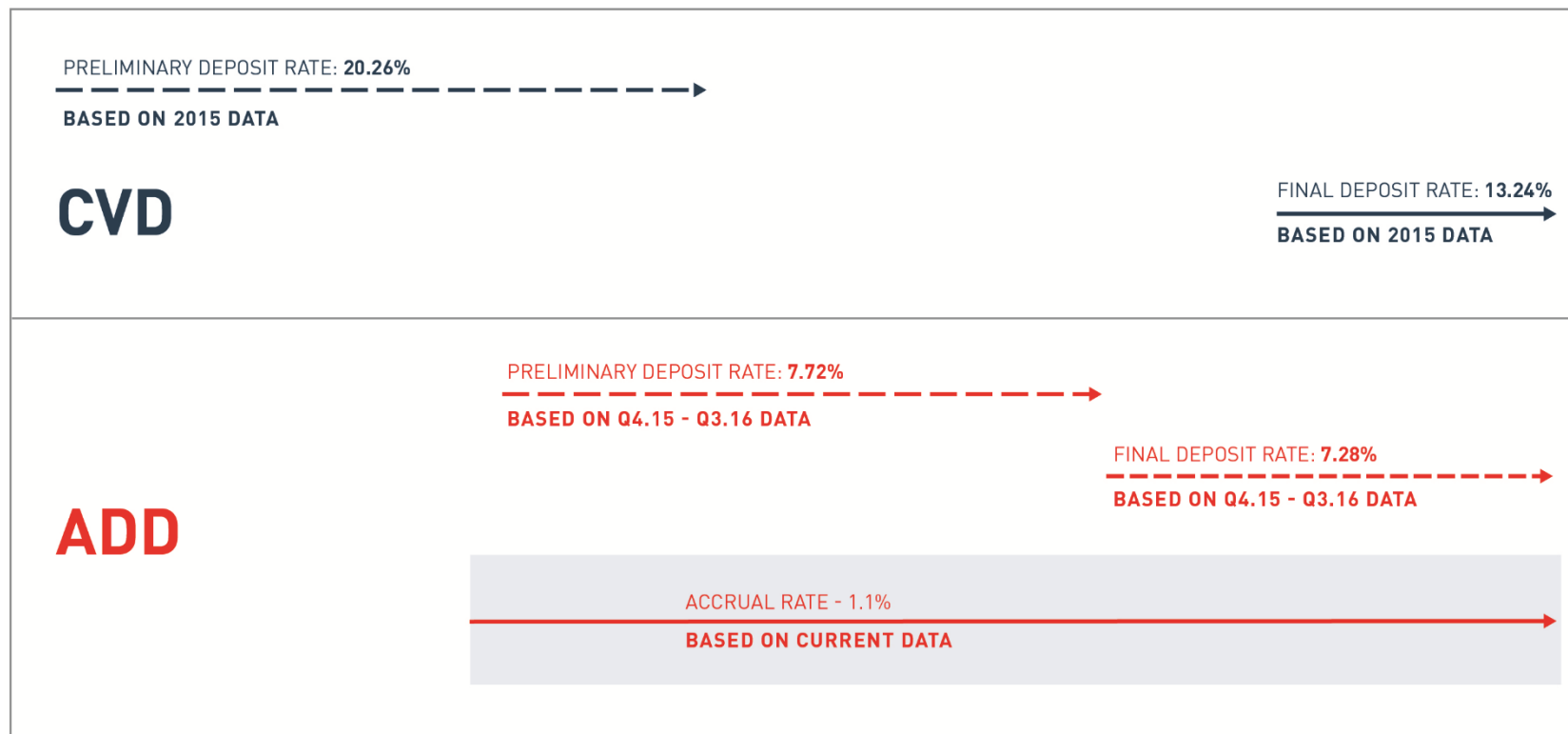


(millions of dollars unless otherwise noted)	Q4 2017	Q3 2017	Variance
Sales	\$ 859.3	\$ 880.4	\$ (21.1)
Operating income before amortization, as reported	\$ 200.1	\$ 136.1	\$ 64.0
Operating income, as reported	\$ 154.9	\$ 92.9	\$ 62.0
Operating income, as adjusted	\$ 131.5	\$ 121.8	\$ 9.7
Average SPF 2x4 #2&Btr lumber price in CDN\$	\$ 588	\$ 509	\$ 79
Average SYP East 2x4 #2 lumber price in US\$	\$ 455	\$ 408	\$ 47
Production - SPF lumber (MMfbm)	903	953	(50)
Production - SYP lumber (MMfbm)	335	355	(20)
Shipments - Canfor-produced SPF lumber (MMfbm)	911	994	(83)
Shipments - Canfor-produced SYP lumber (MMfbm)	328	373	(45)

Reported operating income up \$62 million to \$155 million in Q4 (Adjusted operating income up \$10 million from Q3)

- Reported Q4 results include net duty recovery of \$23 million, while Q3 reported results included \$32 million expense for preliminary duty rates and \$3 million recovery related to lower estimated Canal Flats closure costs
- **Western SPF and SYP sales realizations well up from the previous quarter**
 - WSPF sales realizations: Higher US-dollar WSPF lumber prices reflecting solid demand and constrained supply, higher-value sales mix and 1% weaker Canadian dollar
 - SYP sales realizations: SYP East 2x4 #2 price up 12% and strong 2x6 pricing more than offsetting seasonally lower wider dimension pricing
- **Lumber production down 5%** - Fewer operating hours reflecting capital-related downtime in US South, as well as weather challenges in both US and Canada impacting productivity (including log deliveries and log profile in Western Canada)
- **Lumber shipments down 9%** - Lower production, weather-related transportation challenges, more statutory holidays
- **Unit manufacturing costs up moderately** – Severe weather in Western Canada impacting log deliveries and log costs (hauling costs and purchased wood), seasonally higher energy costs and lower production; continued stable log costs in US South

Canfor Corporation Lumber: Summary of Effective Duty Rates in 2017



APRIL MAY JUNE JULY AUG SEPT OCT NOV DEC

2018

	Q4 2017
Operating income before amortization	
Operating income before amortization, as reported	\$ 200.1
Less: Duty recovery attributable to 2017	\$ (44.9)
Add: Duty recovery attributable to Q4 2017	\$ 15.9
Adjusted Operating income before amortization	\$ 171.1

Effective Duties by Quarter in 2017:	Q2 2017	Q3 2017	Q4 2017	2017
Cash Deposits Paid	\$ 35.6	\$ 32.1	\$ 21.5	\$ 89.2
Quarterly Allocation of Q4 Duty Recovery	\$ (10.4)	\$ (18.6)	\$ (15.9)	\$ (44.9)
Effective Duty Expense, net	\$ 25.2	\$ 13.5	\$ 5.6	\$ 44.3



(millions of dollars, except for per share amounts)	Q4 2017		Q3 2017	
	\$	\$/Share	\$	\$/Share
Net income, as reported	\$ 45.2	\$ 0.69	\$ 12.6	\$ 0.19
Non-operating / unusual items (after-tax)				
Change in substantially enacted tax legislation	\$ 2.8	\$ 0.04	\$ -	\$ -
Net income, as adjusted	\$ 48.0	\$ 0.73	\$ 12.6	\$ 0.19

Canfor Pulp Products Inc. Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q4 2017	Q3 2017	Variance
Gross Sales	\$ 322.9	\$ 284.8	\$ 38.1
Operating income (loss) by segment:			
Pulp	\$ 62.4	\$ 19.0	\$ 43.4
Paper	\$ 7.4	\$ 4.9	\$ 2.5
Unallocated	\$ (3.0)	\$ (2.8)	\$ (0.2)
Total operating income	\$ 66.8	\$ 21.1	\$ 45.7
Operating income (loss) before amortization by segment:			
Pulp	\$ 80.1	\$ 36.3	\$ 43.8
Paper	\$ 8.4	\$ 5.9	\$ 2.5
Unallocated	\$ (2.9)	\$ (2.8)	\$ (0.1)
Total operating income before amortization	\$ 85.6	\$ 39.4	\$ 46.2
Average NBSK pulp list price delivered to China - US\$	\$ 863	\$ 670	\$ 193
Average NBSK pulp list price delivered to China - CDN\$	\$ 1,098	\$ 839	\$ 259
Production - Pulp (000 mt)	308	305	3
Shipments - Pulp (000 mt)	300	303	(3)

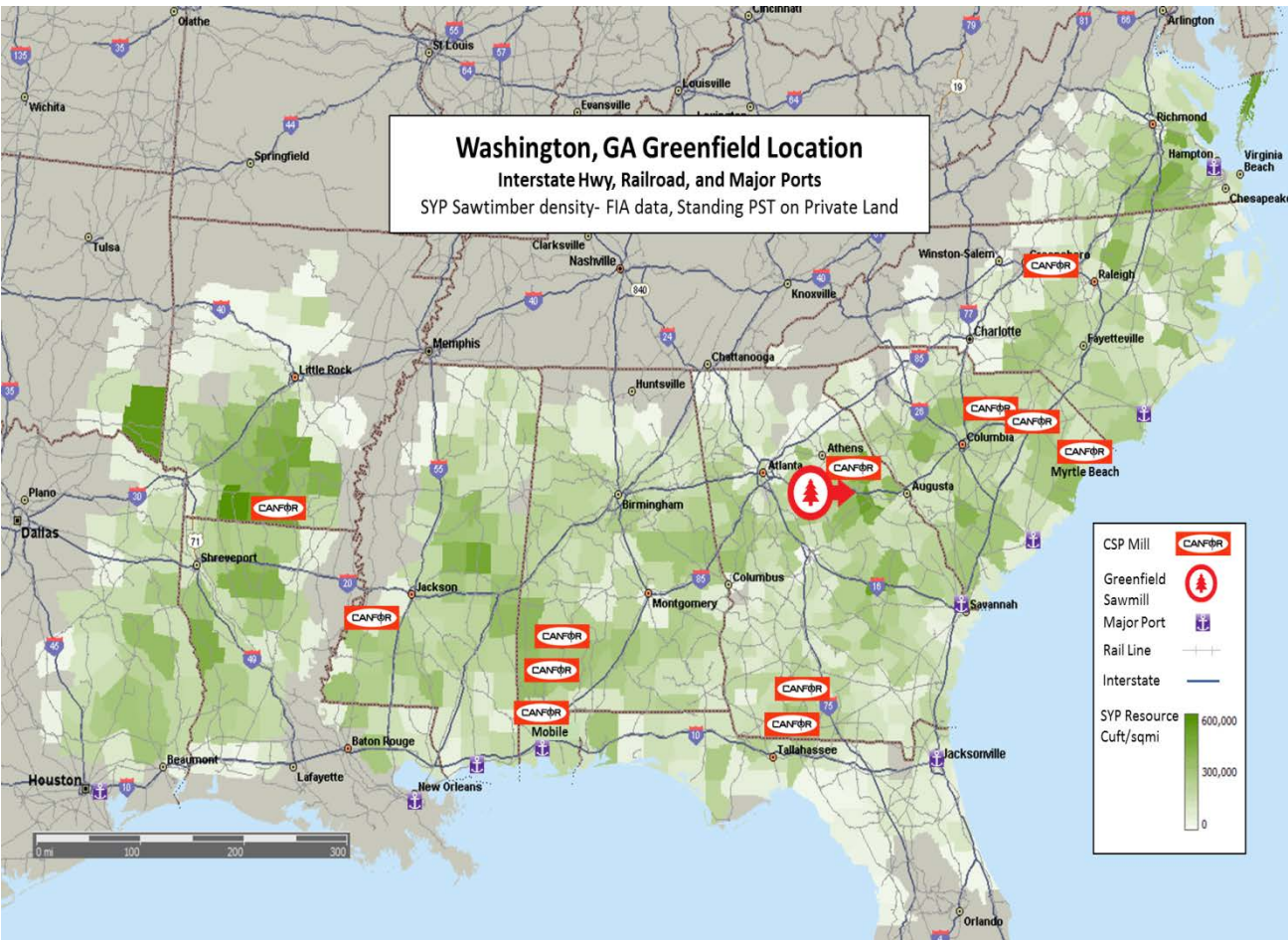
Pulp operating income up \$43.4 million to \$62.4 million in Q4

- **Significant increase in NBSK pulp sales realizations:** Sharp improvement in market conditions leading to near-record high US-dollar NBSK pricing, partly in response to new regulations by the Chinese government restricting the import of recycled mixed paper, combined with unforeseen global pulp supply disruptions and modest decline in Canadian dollar
- **Higher energy revenues** reflecting seasonally higher energy prices combined with strong power generation
- **Unit manufacturing costs broadly in line with Q3** reflecting increased maintenance spend and higher energy usage offset by improved productivity

Paper operating income up \$2.5 million to \$7.4 million in Q4

- Modest increase in paper unit sales realizations more than offset higher slush pulp costs

New Greenfield State-of-the-Art Sawmill in Washington, Georgia



Highlights:

- US\$120 million capital investment
- 275 million board foot capacity
- Targeted Q3 2019 start up
- Located in close proximity to major urban centers, existing Canfor facilities and coastal ports
- Significant timber resource with growth rates exceeding saw timber removals by 150%
- On-site rail access provides diverse sales opportunities for lumber and residuals
- Access to large, skilled workforce
- State of the art equipment increases automation, efficiency and high value product outturn
- Strong financial return forecast, EBITDA multiple ~ 3.4X