

Canfor Corporation and Canfor Pulp Products Inc.
Quarter 3, 2014
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, 2013 and Management's Discussion & Analysis for the three and nine months ended September 30, 2014.

Canfor Corporation
 Q3 2014 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q3 2014		Q2 2014	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 45.5	\$ 0.34	\$ 54.3	\$ 0.39
Non-operating / unusual items (after-tax, net of non-controlling interests)				
(Gain) loss on derivative financial instruments	\$ 0.7	\$ -	\$ (2.1)	\$ (0.02)
Mark-to-market adjustment to Canfor-LP OSB sale contingent consideration	\$ 4.5	\$ 0.04	\$ 4.5	\$ 0.04
Net impact of above items	\$ 5.2	\$ 0.04	\$ 2.4	\$ 0.02
Shareholder net income, as adjusted	\$ 50.7	\$ 0.38	\$ 56.7	\$ 0.41

Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q3 2014	Q2 2014	Variance
Gross Sales	\$ 838.0	\$ 907.3	\$ (69.3)
Operating income (loss) by segment:			
Lumber	\$ 59.6	\$ 74.1	\$ (14.5)
Pulp and Paper	\$ 33.1	\$ 30.9	\$ 2.2
Unallocated and Other	\$ (7.1)	\$ (7.7)	\$ 0.6
Total operating income, as reported	\$ 85.6	\$ 97.3	\$ (11.7)
Average exchange rate (US\$ per C\$1.00)	\$ 0.918	\$ 0.917	\$ 0.001
Operating income (loss) before amortization			
Lumber	\$ 88.7	\$ 102.2	\$ (13.5)
Pulp and Paper	\$ 49.9	\$ 46.6	\$ 3.3
Unallocated and Other	\$ (5.9)	\$ (7.5)	\$ 1.6
Total operating income before amortization	\$ 132.7	\$ 141.3	\$ (8.6)



	Q3 2014	Q2 2014	Variance
(millions of dollars unless otherwise noted)			
Sales	\$ 570.5	\$ 614.5	\$ (44.0)
Operating income before amortization	\$ 88.7	\$ 102.2	\$ (13.5)
Operating income	\$ 59.6	\$ 74.1	\$ (14.5)
Average SPF 2x4 #2&Btr price in CDN\$	\$ 389	\$ 365	\$ 24
Average SYP 2x4 #2 lumber price in US\$	\$ 438	\$ 405	\$ 33
Production - SPF lumber (MMfbm)	926	935	(9)
Production - SYP lumber (MMfbm)	150	154	(4)
Shipments - Canfor-produced SPF lumber (MMfbm)	956	1,063	(107)
Shipments - Canfor-produced SYP lumber (MMfbm)	162	168	(6)

Operating earnings down \$14.5 million to \$59.6 million

- Shipments down 113 million board feet, or 9%, reflecting higher-than-normal volumes in Q2 following resolution of the transportation challenges earlier in the year
- Sales realizations broadly in-line with Q2
 - Improvement in North American SPF prices offset by lower offshore realizations in Q3 in part due to the advance nature of offshore price negotiations
 - Increase in SYP 2x4 #2 prices offset by declines in wide dimension products
- Total lumber production down slightly from Q2, largely reflecting an additional statutory day in Canada, continued capital ramp-ups and semi-annual maintenance shuts at SYP sawmills in Q3
- Unit manufacturing costs up modestly from Q2, reflecting higher log costs (increase in logging and hauling costs and market-driven stumpage) and, to a lesser extent, higher cash conversion costs (largely production volume driven)

Canfor Pulp Products Inc.
Q3 2014 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q3 2014		Q2 2014	
	\$	\$/Share	\$	\$/Share
Net income, as reported	\$ 24.3	\$ 0.34	\$ 18.8	\$ 0.27
Non-operating / unusual items (after-tax) (Gain) loss on derivative financial instruments	\$ 0.2	\$ -	\$ (0.4)	\$ (0.01)
Net income, as adjusted	\$ 24.5	\$ 0.34	\$ 18.4	\$ 0.26

Canfor Pulp Products Inc. Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q3 2014	Q2 2014	Variance
Gross Sales	\$ 237.6	\$ 252.5	\$ (14.9)
Operating income (loss) by segment:			
Pulp	\$ 27.5	\$ 28.8	\$ (1.3)
Paper	\$ 6.5	\$ 3.8	\$ 2.7
Unallocated	\$ (2.6)	\$ (3.0)	\$ 0.4
Total operating income	\$ 31.4	\$ 29.6	\$ 1.8
Net income, as reported	\$ 24.3	\$ 18.8	\$ 5.5
Operating income (loss) before amortization by segment:			
Pulp	\$ 42.9	\$ 43.2	\$ (0.3)
Paper	\$ 7.4	\$ 4.6	\$ 2.8
Unallocated	\$ (2.6)	\$ (3.0)	\$ 0.4
Total operating income before amortization	\$ 47.7	\$ 44.8	\$ 2.9
Average NBSK pulp list price delivered to U.S. - US\$	\$ 1,030	\$ 1,030	\$ -
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 1,122	\$ 1,123	\$ (1)
Production - Pulp (000 mt)	248	238	10
Shipments - Pulp (000 mt)	241	247	(6)

Pulp operating income down \$1.3 million to \$27.5 million

- Pulp shipments down 3% reflecting higher-than-normal shipments in Q2 following resolution of the transportation challenges earlier in the year
- Pulp sales realizations down modestly vs. Q2 in part reflecting downward price pressure on shipments into Asia, while NBSK prices to North America and Europe were relatively stable
- Pulp production up 4% due to maintenance outages at Intercontinental and Prince George Pulp Mills in Q2, offset slightly by disruptions early in Q3
- Unit manufacturing costs down mainly due to the maintenance outages in Q2

Paper operating income up \$2.7 million to \$6.5 million

- Shipments down 10% reflecting drawdown to normal inventory levels in Q2; modest improvement in unit sales realizations
- Unit manufacturing costs and total production improved from Q2 due to maintenance outage in previous quarter