

Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 4, 2013  
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, 2012.

Canfor Corporation  
Q4 2013 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q4 2013		Q3 2013	
	\$	\$/Share	\$	\$/Share
Net income attributable to equity shareholders of the Company	\$ 28.0	\$ 0.20	\$ 28.4	\$ 0.20
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on long-term debt	\$ 1.5	\$ 0.01	\$ (1.0)	\$ (0.01)
(Gain) loss on derivative financial instruments	\$ 0.1	\$ -	\$ (2.2)	\$ (0.02)
Quesnel mill closure provision	\$ 14.8	\$ 0.10	\$ -	\$ -
One-time costs associated with collective agreements for the lumber business	\$ 0.8	\$ 0.01	\$ -	\$ -
Unrealized loss on contingent consideration - related to sale of Canfor-LP OSB	\$ 3.6	\$ 0.03	\$ 1.0	\$ 0.01
Net impact of above items	\$ 20.8	\$ 0.15	\$ (2.2)	\$ (0.02)
Shareholder net income, as adjusted	\$ 48.8	\$ 0.35	\$ 26.2	\$ 0.18

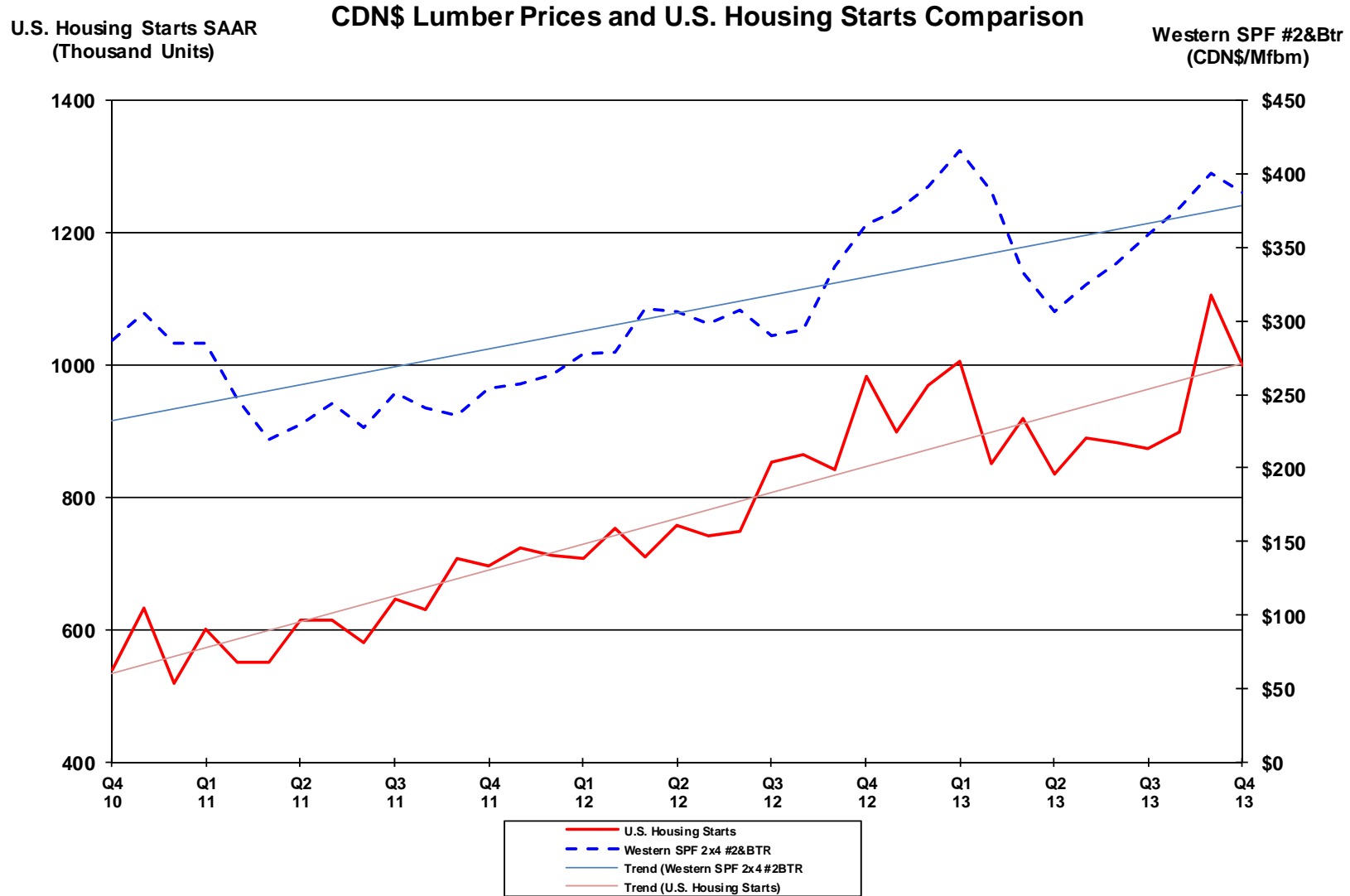
## Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q4 2013	Q3 2013	Variance
Gross Sales	\$ 809.5	\$ 755.9	\$ 53.6
Operating income (loss) by segment:			
Lumber	\$ 37.4	\$ 43.8	\$ (6.4)
Pulp and Paper	\$ 23.2	\$ 11.5	\$ 11.7
Unallocated and Other	\$ (6.8)	\$ (6.0)	\$ (0.8)
<b>Total operating income, as reported</b>	<b>\$ 53.8</b>	<b>\$ 49.3</b>	<b>\$ 4.5</b>
<b>Total operating income, adjusted for one-time items</b>	<b>\$ 74.9</b>	<b>\$ 49.3</b>	<b>\$ 25.6</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.953	\$ 0.963	\$ (0.010)

Operating income (loss) before amortization and one-time items by segment:			
Lumber	\$ 87.2	\$ 71.4	\$ 15.8
Pulp and Paper	\$ 39.2	\$ 28.5	\$ 10.7
Unallocated and Other	\$ (6.6)	\$ (5.8)	\$ (0.8)
<b>Total operating income before amortization and one-time items</b>	<b>\$ 119.8</b>	<b>\$ 94.1</b>	<b>\$ 25.7</b>

# CDN\$ Lumber Prices and U.S. Housing Starts Comparison



Note: Canadian price is calculated as the US price multiplied by the average monthly exchange rate per the Bank of Canada

Source: U.S. Bureau of the Census and Random Lengths Publications, Inc.

Canfor Corporation  
Lumber: Q4 2013 vs. Q3 2013



(millions of dollars unless otherwise noted)	Q4 2013	Q3 2013	Variance
Sales	\$ 533.7	\$ 529.4	\$ 4.3
Operating income before amortization	\$ 66.1	\$ 71.4	\$ (5.3)
Operating income	\$ 37.4	\$ 43.8	\$ (6.4)
Quesnel closure provision	\$ 20.0	\$ -	\$ 20.0
One-time costs associated with collective agreements	\$ 1.1	\$ -	\$ 1.1
Operating income adjusted for one-time items	\$ 58.5	\$ 43.8	\$ 14.7
Average SPF 2x4 #2&Btr price in CDN\$	\$ 388	\$ 340	\$ 48
Average SYP 2x4 #2 lumber price in US\$	\$ 415	\$ 393	\$ 22
Production - SPF Lumber (MMfbm)	980	1,044	(64)
Production - SYP Lumber (MMfbm)	139	131	8
Shipments - Canfor-produced SPF Lumber (MMfbm)	999	1,066	(67)
Shipments - Canfor-produced SYP Lumber (MMfbm)	143	140	3

**Adjusted operating earnings up \$14.7 million to \$58.5 million**

- Shipments down 64 million board feet (5%) and production down 56 million board feet (5%) in Q4
  - Reflecting capital installations and ramp-ups, fewer operating hours and weather related factors
- Sales realizations up from Q3
  - Prices reflecting continued momentum in the U.S. housing market and continued solid offshore demand
  - Western SPF sales realizations also benefitting from weakening of Canadian dollar and lower export taxes
- Modest increase in unit manufacturing costs from Q3
  - Impact of lower production coupled with continued industry-wide focus on dust control safety and log profile challenges, in part resulting from the severe flooding in southeast B.C earlier in 2013.

Canfor Pulp Products Inc.  
Q4 2013 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q4 2013		Q3 2013	
	\$	\$/Share	\$	\$/Share
Net income	\$ 14.2	\$ 0.20	\$ 9.1	\$ 0.13
Non-operating / unusual items (after-tax)				
Foreign exchange (gain) loss on long-term debt	\$ 3.0	\$ 0.04	\$ (2.0)	\$ (0.03)
(Gain) loss on derivative financial instruments	\$ 0.1	\$ -	\$ (1.5)	\$ (0.02)
Net impact of above items	\$ 3.1	\$ 0.04	\$ (3.5)	\$ (0.05)
Net income, as adjusted	\$ 17.3	\$ 0.24	\$ 5.6	\$ 0.08

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



(millions of dollars unless otherwise noted)	Q4 2013	Q3 2013	Variance
<b>Gross Sales</b>	\$ 245.6	\$ 196.1	\$ 49.5
Operating income (loss) by segment:			
Pulp	\$ 24.1	\$ 8.3	\$ 15.8
Paper	\$ 3.8	\$ 5.9	\$ (2.1)
Unallocated	\$ (3.9)	\$ (2.9)	\$ (1.0)
<b>Total operating income</b>	\$ 24.0	\$ 11.3	\$ 12.7
<b>Net income</b>	\$ 14.2	\$ 9.1	\$ 5.1
Operating income (loss) before amortization by segment:			
Pulp	\$ 38.8	\$ 23.8	\$ 15.0
Paper	\$ 4.6	\$ 6.9	\$ (2.3)
Unallocated	\$ (3.9)	\$ (2.9)	\$ (1.0)
<b>Total operating income before amortization</b>	\$ 39.5	\$ 27.8	\$ 11.7
Average NBSK pulp list price delivered to U.S. - US\$	\$ 983	\$ 947	\$ 36
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 1,032	\$ 983	\$ 49
Production - Pulp (000 mt)	246	221	25
Shipments - Pulp (000 mt)	273	212	61

### Pulp operating income up \$15.8 million to \$24.1 million

- Pulp shipments up 61,000 tonnes (29%) and production up 25,000 tonnes (11%) in Q4
  - Increased production primarily the result of Q3 scheduled outages, increased shipments also reflecting strong demand from China
- Softwood pulp markets strengthened with improved demand and prices in all regions

### Paper operating income down \$2.1 million to \$3.8 million

- Paper shipments down 4,400 tonnes (12%) and production down 3,000 tonnes (9%) in Q4 principally reflecting scheduled maintenance outage of Prince George Kraft paper machine