

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 1, 2018
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 and Management's Discussion and Analysis for the three months ended March 31, 2018.

Canfor Corporation
Q1 2018 Review: Items Impacting Earnings Comparability



| (millions of dollars, except for per share amounts) | Q1 2018 | | Q4 2017 | |
|---|----------|----------|-----------|-----------|
| | \$ | \$/Share | \$ | \$/Share |
| Shareholder net income, as reported | \$ 112.2 | \$ 0.87 | \$ 131.8 | \$ 1.02 |
| Non-operating / unusual items (after-tax, net of non-controlling interests) | | | | |
| Countervailing and anti-dumping duty deposit expense (recovery), net | \$ 25.5 | \$ 0.20 | \$ (17.3) | \$ (0.13) |
| Foreign exchange loss on long-term debt and duties receivable | \$ 1.9 | \$ 0.01 | \$ 0.6 | \$ - |
| Loss on derivative financial instruments | \$ 5.8 | \$ 0.05 | \$ 4.8 | \$ 0.04 |
| Change in substantively enacted tax legislation | \$ - | \$ - | \$ (5.1) | \$ (0.04) |
| Net impact of above items | \$ 33.2 | \$ 0.26 | \$ (17.0) | \$ (0.13) |
| Shareholder net income, as adjusted | \$ 145.4 | \$ 1.13 | \$ 114.8 | \$ 0.89 |

Canfor Corporation

Sales and Operating Earnings Summary



| (millions of dollars unless otherwise noted) | Q1 2018 | Q4 2017 | Variance |
|--|-----------------|-----------------|------------------|
| Gross Sales | \$ 1,233.5 | \$ 1,156.0 | \$ 77.5 |
| Reported Operating income (loss) by segment: | | | |
| Lumber | \$ 125.9 | \$ 154.9 | \$ (29.0) |
| Pulp and Paper | \$ 85.1 | \$ 66.8 | \$ 18.3 |
| Unallocated and Other | \$ (7.2) | \$ (7.5) | \$ 0.3 |
| Total operating income, as reported | \$ 203.8 | \$ 214.2 | \$ (10.4) |
| Total operating income, as adjusted¹ | \$ 238.7 | \$ 190.8 | \$ 47.9 |
| Average exchange rate (US\$ per C\$1.00) | \$ 0.791 | \$ 0.786 | \$ 0.005 |

| | | | |
|--|-----------------|-----------------|-----------------|
| Reported operating income (loss) before amortization | | | |
| Lumber | \$ 171.5 | \$ 200.1 | \$ (28.6) |
| Pulp and Paper | \$ 104.3 | \$ 85.6 | \$ 18.7 |
| Unallocated and Other | \$ (7.2) | \$ (7.5) | \$ 0.3 |
| Total operating income before amortization, as reported | \$ 268.6 | \$ 278.2 | \$ (9.6) |
| Total operating income before amortization, as adjusted¹ | \$ 303.5 | \$ 254.8 | \$ 48.7 |

¹ Adjusted for countervailing and anti-dumping duty deposits expensed for accounting purposes (expense of \$34.9 million in Q1 2018, net recovery of \$23.4 million in Q4 2017)

Canfor Corporation Lumber: Q1 2018 vs. Q4 2017



| (millions of dollars unless otherwise noted) | Q1 2018 | Q4 2017 | Variance |
|---|------------|------------|-----------|
| Sales | \$ 873.9 | \$ 833.1 | \$ 40.8 |
| Operating income before amortization, as reported | \$ 171.5 | \$ 200.1 | \$ (28.6) |
| Operating income, as reported | \$ 125.9 | \$ 154.9 | \$ (29.0) |
| Operating income, as adjusted | \$ 160.8 | \$ 131.5 | \$ 29.3 |
| Average SPF 2x4 #2&Btr lumber price in CDN\$ | \$ 649 | \$ 588 | \$ 61 |
| Average SYP East 2x4 #2 lumber price in US\$ | \$ 566 | \$ 455 | \$ 111 |
| Production - SPF lumber (MMfbm) | 889 | 903 | (14) |
| Production - SYP lumber (MMfbm) | 351 | 335 | 16 |
| Shipments - Canfor-produced SPF lumber (MMfbm) | 851 | 875 | (24) |
| Shipments - Canfor-produced SYP lumber (MMfbm) | 345 | 330 | 15 |

Adjusted operating income up \$29 million from Q4

- Reported Q1 results include net duty expense of \$35 million, while reported Q4 results include net duty recovery of \$23 million reflecting current CVD/ADD rates. Operating income, adjusted for duties, up \$29 million at \$161 million.
- Western SPF and SYP sales realizations up modestly from the previous quarter**
 - WSPF sales realizations: Higher US-dollar WSPF lumber prices reflecting solid demand. Improved pricing more than offsetting increased duty deposits following the re-introduction of CVD in late December 2017
 - SYP sales realizations: Solid increase in SYP East 2x4 #2 price moderated by stable pricing for 2x6 and 2x10 #2 dimensions
- Lumber production in line with prior quarter** – Fewer statutory holidays and US South productivity gains offsetting weather-driven decrease in Western Canada productivity
- Lumber shipments in line with prior quarter** – Modestly higher SYP shipments offsetting impact of weather-related transportation and production challenges in Western Canada
- Unit manufacturing costs up slightly** – Increased market-based stumpage and the Western Canada weather challenges in the quarter (lower productivity and higher log hauling costs) more than offsetting the positive impact of productivity gains and stable log costs in the US South

Canfor Pulp Products Inc.
Q1 2018 Review: Items Impacting Earnings Comparability



| (millions of dollars, except for per share amounts) | Q1 2018 | | Q4 2017 | |
|---|---------|----------|---------|----------|
| | \$ | \$/Share | \$ | \$/Share |
| Net income, as reported | \$ 64.3 | \$ 0.99 | \$ 45.2 | \$ 0.69 |
| Non-operating / unusual items (after-tax) | | | | |
| Change in substantially enacted tax legislation | \$ - | \$ - | \$ 2.8 | \$ 0.04 |
| Net income, as adjusted | \$ 64.3 | \$ 0.99 | \$ 48.0 | \$ 0.73 |

Canfor Pulp Products Inc. Sales and Operating Earnings Summary



| (millions of dollars unless otherwise noted) | Q1 2018 | Q4 2017 | Variance |
|---|------------|------------|----------|
| Gross Sales | \$ 359.7 | \$ 322.9 | \$ 36.8 |
| Operating income (loss) by segment: | | | |
| Pulp | \$ 86.4 | \$ 62.4 | \$ 24.0 |
| Paper | \$ 2.9 | \$ 7.4 | \$ (4.5) |
| Unallocated | \$ (4.2) | \$ (3.0) | \$ (1.2) |
| Total operating income | \$ 85.1 | \$ 66.8 | \$ 18.3 |
| Operating income (loss) before amortization by segment: | | | |
| Pulp | \$ 104.5 | \$ 80.1 | \$ 24.4 |
| Paper | \$ 4.0 | \$ 8.4 | \$ (4.4) |
| Unallocated | \$ (4.2) | \$ (2.9) | \$ (1.3) |
| Total operating income before amortization | \$ 104.3 | \$ 85.6 | \$ 18.7 |
| Average NBSK pulp list price delivered to China - US\$ | \$ 910 | \$ 863 | \$ 47 |
| Average NBSK pulp list price delivered to China - CDN\$ | \$ 1,150 | \$ 1,098 | \$ 52 |
| Production - Pulp (000 mt) | 312 | 308 | 4 |
| Shipments - Pulp (000 mt) | 310 | 300 | 10 |

Pulp operating income up \$24 million to \$86 million in Q1

- **Significant increase in pulp sales realizations:** Reflecting near-record high US-dollar NBSK prices through the quarter, moderate increase in quarter-over-quarter BCTMP prices. The average China US-dollar NBSK pulp list price of US\$910 per tonne was up US\$47 per tonne, or 5%, from the previous quarter.
- **Unit manufacturing costs moderately higher than Q4:** Reflecting increased fibre costs, weather-related impacts to energy and operational costs, and to a lesser extent, higher chemical costs.

Paper operating income down \$4.5 million to \$2.9 million in Q1

- Modest increase in paper unit sales realizations more than offset by higher slush pulp costs associated with higher average NBSK pulp sales realizations and the timing of shipments