

Canfor Corporation and Canfor Pulp Products Inc.
Quarter 2, 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 six months ended June 30, 2014.

Canfor Corporation
Q2 2014 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q2 2014		Q1 2014	
	\$	\$/Share	\$	\$/Share
Net income attributable to equity shareholders of the Company	\$ 54.3	\$ 0.39	\$ 45.5	\$ 0.33
Non-operating / unusual items (after-tax, net of non-controlling interests)				
(Gain) loss on derivative financial instruments	\$ (2.1)	\$ (0.02)	\$ 2.1	\$ 0.02
Mark-to-market adjustment to Canfor-LP OSB sale contingent consideration	\$ 4.5	\$ 0.04	\$ 0.4	\$ -
Gain on sale of Daaquam Sawmill	\$ -	\$ -	\$ (1.6)	\$ (0.01)
Net impact of above items	\$ 2.4	\$ 0.02	\$ 0.9	\$ 0.01
Shareholder net income, as adjusted	\$ 56.7	\$ 0.41	\$ 46.4	\$ 0.34

Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q2 2014	Q1 2014	Variance
Gross Sales	\$ 907.3	\$ 741.9	\$ 165.4
Operating income (loss) by segment:			
Lumber	\$ 74.1	\$ 56.4	\$ 17.7
Pulp and Paper	\$ 30.9	\$ 36.5	\$ (5.6)
Unallocated and Other	\$ (7.7)	\$ (8.5)	\$ 0.8
Total operating income, as reported	\$ 97.3	\$ 84.4	\$ 12.9
Average exchange rate (US\$ per C\$1.00)	\$ 0.917	\$ 0.906	\$ 0.011

Operating income (loss) before amortization			
Lumber	\$ 102.2	\$ 84.3	\$ 17.9
Pulp and Paper	\$ 46.6	\$ 53.0	\$ (6.4)
Unallocated and Other	\$ (7.5)	\$ (8.4)	\$ 0.9
Total operating income before amortization	\$ 141.3	\$ 128.9	\$ 12.4



(millions of dollars unless otherwise noted)	Q2 2014	Q1 2014	Variance
Sales	\$ 614.5	\$ 495.7	\$ 118.8
Operating income before amortization	\$ 102.2	\$ 84.3	\$ 17.9
Operating income	\$ 74.1	\$ 56.4	\$ 17.7
Average SPF 2x4 #2&Btr price in CDN\$	\$ 365	\$ 405	\$ (40)
Average SYP 2x4 #2 lumber price in US\$	\$ 405	\$ 403	\$ 2
Production - SPF lumber (MMfbm)	935	981	(46)
Production - SYP lumber (MMfbm)	154	135	19
Shipments - Canfor-produced SPF lumber (MMfbm)	1,063	779	284
Shipments - Canfor-produced SYP lumber (MMfbm)	168	143	25

Operating earnings up \$17.7 million to \$74.1 million

- Shipments up 309 million board feet (33%) reflecting improved transportation performance following challenges experienced in Q1
- Sales realizations down moderately from Q1
 - Decline in North American benchmark prices (less pronounced on wider dimensions), 1% stronger CDN dollar; impact partly offset by higher % prime products and stable offshore prices
 - SYP realizations up modestly mainly due to price increases on wider dimensions
- Total lumber production down 2% from Q1; excluding Quesnel closure and Daaquam sale, production up 6% vs. Q1, mostly reflecting productivity improvements and better weather
- Unit manufacturing costs down slightly from Q1, reflecting improved productivity and other seasonal factors, stable log costs

Canfor Pulp Products Inc.
Q2 2014 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q2 2014		Q1 2014	
	\$	\$/Share	\$	\$/Share
Net income	\$ 18.8	\$ 0.27	\$ 25.7	\$ 0.36
Non-operating / unusual items (after-tax) (Gain) loss on derivative financial instruments	\$ (0.4)	\$ (0.01)	\$ 1.0	\$ 0.01
Net income, as adjusted	\$ 18.4	\$ 0.26	\$ 26.7	\$ 0.37

Canfor Pulp Products Inc. Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q2 2014	Q1 2014	Variance
Gross Sales	\$ 252.5	\$ 226.4	\$ 26.1
Operating income (loss) by segment:			
Pulp	\$ 28.8	\$ 35.0	\$ (6.2)
Paper	\$ 3.8	\$ 4.5	\$ (0.7)
Unallocated	\$ (3.0)	\$ (3.1)	\$ 0.1
Total operating income	\$ 29.6	\$ 36.4	\$ (6.8)
Net income	\$ 18.8	\$ 25.7	\$ (6.9)
Operating income (loss) before amortization by segment:			
Pulp	\$ 43.2	\$ 50.1	\$ (6.9)
Paper	\$ 4.6	\$ 5.4	\$ (0.8)
Unallocated	\$ (3.0)	\$ (3.1)	\$ 0.1
Total operating income before amortization	\$ 44.8	\$ 52.4	\$ (7.6)
Average NBSK pulp list price delivered to U.S. - US\$	\$ 1,030	\$ 1,017	\$ 13
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 1,123	\$ 1,122	\$ 1
Production - Pulp (000 mt)	238	259	(21)
Shipments - Pulp (000 mt)	247	222	25

Pulp operating income down \$6.2 million to \$28.8 million

- Pulp shipments up 25,000 tonnes (11%) reflecting improved transportation performance from Q1
- Small improvement in pulp prices to North America and Europe but outweighed by decrease in pulp prices to China, stronger CDN dollar and higher shipments to lower-margin Asia region
- Pulp production down 21,000 tonnes (8%) reflecting maintenance outages at the Intercontinental and Prince George Pulp Mills
- Increase in unit manufacturing costs reflecting higher fibre costs and maintenance outages in Q2

Paper operating income down \$0.7 million to \$3.8 million

- Shipments up 27% reflecting improved transportation performance from Q1; modest improvement in unit sales realizations
- Unit manufacturing costs and total production impacted by maintenance outage during Q2