

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 3, 2016
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, 2015 and Management's Discussion & Analysis for the nine months ended September 30, 2016.

Canfor Corporation
Q3 2016 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q3 2016		Q2 2016	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 50.9	\$ 0.38	\$ 36.0	\$ 0.27
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Gain on derivative financial instruments	\$ (0.1)	\$ -	\$ (2.3)	\$ (0.02)
Foreign exchange (gain) / loss on long term debt	\$ 0.9	\$ 0.01	\$ (0.3)	\$ -
Gain on legal settlement, net	\$ -	\$ -	\$ (6.9)	\$ (0.05)
Net impact of above items	\$ 0.8	\$ 0.01	\$ (9.5)	\$ (0.07)
Shareholder net income, as adjusted	\$ 51.7	\$ 0.39	\$ 26.5	\$ 0.20

Canfor Corporation

Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q3 2016	Q2 2016	Variance
Gross Sales	\$ 1,101.2	\$ 1,022.3	\$ 78.9
Operating income (loss) by segment:			
Lumber	\$ 75.1	\$ 71.5	\$ 3.6
Pulp and Paper	\$ 31.0	\$ 5.2	\$ 25.8
Unallocated and Other	\$ (8.7)	\$ (7.1)	\$ (1.6)
Total operating income, as reported	\$ 97.4	\$ 69.6	\$ 27.8
Average exchange rate (US\$ per C\$1.00)	\$ 0.766	\$ 0.776	\$ (0.010)

Operating income (loss) before amortization			
Lumber	\$ 115.7	\$ 110.9	\$ 4.8
Pulp and Paper	\$ 50.0	\$ 22.1	\$ 27.9
Unallocated and Other	\$ (7.7)	\$ (5.9)	\$ (1.8)
Total operating income before amortization	\$ 158.0	\$ 127.1	\$ 30.9

Canfor Corporation
Lumber: Q3 2016 vs. Q2 2016



(millions of dollars unless otherwise noted)	Q3 2016	Q2 2016	Variance
Sales	\$ 809.6	\$ 765.3	\$ 44.3
Operating income before amortization	\$ 115.7	\$ 110.9	\$ 4.8
Adjusted operating income before amortization	\$ 115.7	\$ 95.4	\$ 20.3
Operating income	\$ 75.1	\$ 71.5	\$ 3.6
Adjusted operating income	\$ 75.1	\$ 56.0	\$ 19.1
Average SPF 2x4 #2&Btr lumber price in CDN\$	\$ 420	\$ 401	\$ 19
Average SYP East 2x4 #2 lumber price in US\$	\$ 414	\$ 437	\$ (23)
Production - SPF lumber (MMfbm)	953	955	(2)
Production - SYP Lumber (MMfbm)	341	335	6
Shipments - Canfor-produced SPF lumber (MMfbm)	990	996	(6)
Shipments - Canfor-produced SYP lumber (MMfbm)	348	348	-

Operating income up \$19.1 million to \$75.1 million in Q3, after adjusting for one-time \$15.5 million legal settlement gain in Q2

- **Higher WSPF and SYP unit sales realizations, solid productivity gains**
 - WSPF sales realizations – 4% improvement in US-dollar WSPF 2x4 #2&Btr price, more pronounced increases in most other products, 1% weaker CDN\$
 - SYP sales realizations – Improved lumber pricing in 2x6 and 2x8 dimensions and premium SYP products more than offsetting 5% decrease in SYP East 2x4 benchmark price and decreases in 2x10 and 2x12 dimensions
- **Completed final phase of acquisition of Scotch & Gulf Lumber on July 29, 2016, increasing ownership interest from 50% to 100%**
- **Lumber production and shipments in line with Q2**
- **Unit manufacturing costs slightly higher with positive impact of productivity gains offset by increased market based stumpage and log hauling costs in Western Canada**

Canfor Pulp Products Inc.
Q3 2016 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q3 2016		Q2 2016	
	\$	\$/Share	\$	\$/Share
Net income, as reported	\$ 22.4	\$ 0.34	\$ 2.2	\$ 0.03
Non-operating / unusual items (after-tax)				
Gain on derivative financial instruments	\$ -	\$ -	\$ -	\$ -
Net impact of above items	\$ -	\$ -	\$ -	\$ -
Net income, as adjusted	\$ 22.4	\$ 0.34	\$ 2.2	\$ 0.03

Canfor Pulp Products Inc. Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q3 2016	Q2 2016	Variance
Gross Sales	\$ 291.6	\$ 257.2	\$ 34.4
Operating income (loss) by segment:			
Pulp	\$ 26.7	\$ 1.8	\$ 24.9
Paper	\$ 7.2	\$ 5.5	\$ 1.7
Unallocated	\$ (2.9)	\$ (2.1)	\$ (0.8)
Total operating income	\$ 31.0	\$ 5.2	\$ 25.8
Net income, as reported	\$ 22.4	\$ 2.2	\$ 20.2
Operating income (loss) before amortization by segment:			
Pulp	\$ 44.8	\$ 17.8	\$ 27.0
Paper	\$ 8.1	\$ 6.4	\$ 1.7
Unallocated	\$ (2.9)	\$ (2.1)	\$ (0.8)
Total operating income before amortization	\$ 50.0	\$ 22.1	\$ 27.9
Average NBSK pulp list price delivered to U.S. - US\$	\$ 998	\$ 980	\$ 18
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 1,303	\$ 1,263	\$ 40
Production - Pulp (000 mt)	313	280	33
Shipments - Pulp (000 mt)	320	287	33

Pulp operating income up \$24.9 million to \$26.7 million

- **Shipments and production up 11% and 12%, respectively:** Reflecting return to more normal operating rates following significant scheduled maintenance outages in Q2
- **Lower unit manufacturing costs:** Principally due to impact of less scheduled maintenance downtime in Q3
- **Sales realizations slightly higher:** Benefit of a weaker CDN \$ offsetting modestly lower list prices to China, improved BCTMP prices
- **Energy revenues higher:** Seasonally higher prices and higher power generation in Q3

Paper operating income up \$1.7 million to \$7.2 million

- Modestly higher unit sales realizations reflecting higher-value sales mix offset in part by lower shipment volumes