

Canfor Corporation and Canfor Pulp Products Inc.
Quarter 1, 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 three months ended March 31, 2016.

Canfor Corporation
Q1 2016 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q1 2016		Q4 2015	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 26.0	\$ 0.20	\$ 1.6	\$ 0.01
Non-operating / unusual items (after-tax, net of non-controlling interests)				
(Gain) loss on derivative financial instruments	\$ 1.8	\$ 0.01	\$ (1.2)	\$ (0.01)
Foreign exchange (gain) loss on long term debt	\$ (6.9)	\$ (0.05)	\$ 5.1	\$ 0.04
Pension plan amendment	\$ -	\$ -	\$ 2.4	\$ 0.02
Net impact of above items	\$ (5.1)	\$ (0.04)	\$ 6.3	\$ 0.05
Shareholder net income, as adjusted	\$ 20.9	\$ 0.16	\$ 7.9	\$ 0.06

Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q1 2016	Q4 2015	Variance
Gross Sales	\$ 1,067.9	\$ 1,053.0	\$ 14.9
Operating income (loss) by segment:			
Lumber	\$ 33.4	\$ 3.7	\$ 29.7
Pulp and Paper	\$ 39.1	\$ 38.6	\$ 0.5
Unallocated and Other	\$ (7.4)	\$ (10.5)	\$ 3.1
Total operating income, as reported	\$ 65.1	\$ 31.8	\$ 33.3
Included in above:			
Pension plan amendment	\$ -	\$ 3.2	\$ (3.2)
Operating income before one-time adjustments	\$ 65.1	\$ 35.0	\$ 30.1
Average exchange rate (US\$ per C\$1.00)	\$ 0.728	\$ 0.749	\$ (0.021)

Operating income (loss) before amortization			
Lumber	\$ 74.2	\$ 44.8	\$ 29.4
Pulp and Paper	\$ 57.8	\$ 56.2	\$ 1.6
Unallocated and Other	\$ (6.3)	\$ (9.3)	\$ 3.0
Total operating income before amortization	\$ 125.7	\$ 91.7	\$ 34.0
Included in above:			
Pension plan amendment	\$ -	\$ 3.2	\$ (3.2)
Operating income before amortization and one-time adjustments	\$ 125.7	\$ 94.9	\$ 30.8

Canfor Corporation
Lumber: Q1 2016 vs. Q4 2015



(millions of dollars unless otherwise noted)	Q1 2016	Q4 2015	Variance
Sales	\$ 772.6	\$ 721.8	\$ 50.8
Operating income before amortization	\$ 74.2	\$ 44.8	\$ 29.4
Operating income	\$ 33.4	\$ 3.7	\$ 29.7
Included in above:			
Pension plan amendment	\$ -	\$ 3.2	\$ (3.2)
Inventory valuation adjustments	\$ -	\$ (6.2)	\$ 6.2
Operating income before one-time and inventory valuation adjustments	\$ 33.4	\$ 0.7	\$ 32.7
Average SPF 2x4 #2&Btr lumber price in CDN\$	\$ 374	\$ 351	\$ 23
Average SYP 2x4 #2 lumber price in US\$	\$ 407	\$ 400	\$ 7
Production - SPF lumber (MMfbm)	967	976	(9)
Production - SYP lumber (MMfbm)	336	321	15
Shipments - Canfor-produced SPF lumber (MMfbm)	1,006	1,025	(19)
Shipments - Canfor-produced SYP lumber (MMfbm)	349	329	20

Adjusted operating earnings up \$32.7 million to \$33.4 million

- **Higher WSPF and SYP unit sales realizations**
 - WSPF sales realizations – 3% weaker CDN\$, 3% improvement in US-dollar WSPF 2x4 #2&Btr price, no export taxes paid in Q1 2016
 - SYP sales realizations – Slightly higher SYP East 2x4 benchmark price, more pronounced increases in most wider-dimension SYP products offsetting the impact of lower prices for SYP 2x6 #2
- **Full quarter of operating income from Anthony Forest Products (acquired October 30, 2015)**
- **Production and shipments in line with Q4:** Productivity improvements at the Western Canadian operations offset fewer operating days; contribution from Anthony Forest Products offsetting impact of Canal Flats sawmill closure in November 2015
- **Lumber unit manufacturing costs stable:** Improved productivity largely offsetting increased log costs in Western Canada

Canfor Pulp Products Inc.
Q1 2016 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q1 2016		Q4 2015	
	\$	\$/Share	\$	\$/Share
Net income, as reported	\$ 23.1	\$ 0.34	\$ 29.7	\$ 0.43
Non-operating / unusual items (after-tax)				
Gain on derivative financial instruments	\$ -	\$ -	\$ (0.7)	\$ (0.01)
Net impact of above items	\$ -	\$ -	\$ (0.7)	\$ (0.01)
Net income, as adjusted	\$ 23.1	\$ 0.34	\$ 29.0	\$ 0.42

Canfor Pulp Products Inc. Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q1 2016	Q4 2015	Variance
Gross Sales	\$ 295.3	\$ 330.8	\$ (35.5)
Operating income (loss) by segment:			
Pulp	\$ 33.0	\$ 34.4	\$ (1.4)
Paper	\$ 8.9	\$ 6.9	\$ 2.0
Unallocated	\$ (2.8)	\$ (2.7)	\$ (0.1)
Total operating income	\$ 39.1	\$ 38.6	\$ 0.5
Net income, as reported	\$ 23.1	\$ 29.7	\$ (6.6)
Operating income (loss) before amortization by segment:			
Pulp	\$ 50.7	\$ 50.9	\$ (0.2)
Paper	\$ 9.9	\$ 7.9	\$ 2.0
Unallocated	\$ (2.8)	\$ (2.6)	\$ (0.2)
Total operating income before amortization	\$ 57.8	\$ 56.2	\$ 1.6
Average NBSK pulp list price delivered to U.S. - US\$	\$ 943	\$ 945	\$ (2)
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 1,295	\$ 1,262	\$ 33
Production - Pulp (000 mt)	322	323	(1)
Shipments - Pulp (000 mt)	319	356	(37)

Pulp operating income broadly in line with Q4

- **Sales realizations slightly lower:** 3% weaker Canadian dollar more than offset by slightly lower transaction prices, increased discounts and less favourable regional mix; BCTMP unit sales realizations improved slightly re. more favourable sales mix in Q1
- **Shipments down 10%:** Shipments returning to more normalized levels following an inventory drawdown in Q4
- **Unit manufacturing costs moderately lower:** Principally due to lower fibre and maintenance costs in Q1; impact of Northwood outage in Q4 (20,000 tonnes)

Paper operating income up \$2.0 million to \$8.9 million

- Sales realizations up from Q4 reflecting 3% weaker Canadian dollar and increased proportion of prime bleached shipments