

Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 4, 2016  
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, 2016.

Canfor Corporation  
Q4 2016 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q4 2016		Q3 2016	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 38.0	\$ 0.29	\$ 50.9	\$ 0.38
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Gain on derivative financial instruments	\$ (1.5)	\$ (0.01)	\$ (0.1)	\$ -
Foreign exchange loss on long term debt	\$ 2.7	\$ 0.01	\$ 0.9	\$ 0.01
Mill Closure Provision Recovery	\$ (1.5)	\$ (0.01)	\$ -	\$ -
Net impact of above items	\$ (0.3)	\$ -	\$ 0.8	\$ 0.01
Shareholder net income, as adjusted	\$ 37.7	\$ 0.29	\$ 51.7	\$ 0.39

Canfor Corporation  
Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q4 2016	Q3 2016	Variance
Gross Sales	\$ 1,043.5	\$ 1,101.2	\$ (57.7)
Operating income (loss) by segment:			
Lumber	\$ 57.4	\$ 75.1	\$ (17.7)
Pulp and Paper	\$ 22.9	\$ 31.0	\$ (8.1)
Unallocated and Other	\$ (6.3)	\$ (8.7)	\$ 2.4
<b>Total operating income, as reported</b>	<b>\$ 74.0</b>	<b>\$ 97.4</b>	<b>\$ (23.4)</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.750	\$ 0.766	\$ (0.016)

Operating income (loss) before amortization			
Lumber	\$ 101.0	\$ 115.7	\$ (14.7)
Pulp and Paper	\$ 42.1	\$ 50.0	\$ (7.9)
Unallocated and Other	\$ (5.5)	\$ (7.7)	\$ 2.2
<b>Total operating income before amortization</b>	<b>\$ 137.6</b>	<b>\$ 158.0</b>	<b>\$ (20.4)</b>



(millions of dollars unless otherwise noted)	Q4 2016	Q3 2016	Variance
Sales	\$ 785.7	\$ 809.6	\$ (23.9)
Operating income before amortization	\$ 101.0	\$ 115.7	\$ (14.7)
Operating income	\$ 57.4	\$ 75.1	\$ (17.7)
Average SPF 2x4 #2&Btr lumber price in CDN\$	\$ 420	\$ 420	\$ -
Average SYP East 2x4 #2 lumber price in US\$	\$ 445	\$ 414	\$ 31
Production - SPF lumber (MMfbm)	912	953	(41)
Production - SYP lumber (MMfbm)	324	341	(17)
Shipments - Canfor-produced SPF lumber (MMfbm)	940	990	(50)
Shipments - Canfor-produced SYP lumber (MMfbm)	332	348	(16)

### Operating income down \$17.7 million to \$57.4 million in Q4

- **Seasonally lower benchmark lumber prices**
  - WSPF sales realizations – Higher-value products and 2% weaker CDN\$ more than offsetting 2% decline in US-dollar WSPF 2x4 #2&Btr price
  - SYP sales realizations – Seasonally lower prices for wide-width SYP products more than offsetting 7% increase in SYP East 2x4 benchmark price
- **Lumber production and shipments modestly lower reflecting weather-related impacts on productivity and shipments, and additional statutory holidays in the current quarter**
- **Unit manufacturing costs modestly higher, reflecting weather challenges and, to a lesser extent, seasonally higher energy costs**
- **Completed final phase of acquisition of Beadles & Balfour on January 2, 2017, increasing ownership interest from 55% to 100%**

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



(millions of dollars unless otherwise noted)	Q4 2016	Q3 2016	Variance
<b>Gross Sales</b>	\$ 257.8	\$ 291.6	\$ (33.8)
Operating income (loss) by segment:			
Pulp	\$ 18.1	\$ 26.7	\$ (8.6)
Paper	\$ 8.1	\$ 7.2	\$ 0.9
Unallocated	\$ (3.3)	\$ (2.9)	\$ (0.4)
<b>Total operating income</b>	\$ 22.9	\$ 31.0	\$ (8.1)
<b>Net income, as reported</b>	\$ 10.1	\$ 22.4	\$ (12.3)
Operating income (loss) before amortization by segment:			
Pulp	\$ 36.2	\$ 44.8	\$ (8.6)
Paper	\$ 9.1	\$ 8.1	\$ 1.0
Unallocated	\$ (3.2)	\$ (2.9)	\$ (0.3)
<b>Total operating income before amortization</b>	\$ 42.1	\$ 50.0	\$ (7.9)
Average NBSK pulp list price delivered to China - US\$	\$ 595	\$ 595	\$ -
Average NBSK pulp list price delivered to China - CDN\$	\$ 794	\$ 777	\$ 17
Production - Pulp (000 mt)	304	313	(9)
Shipments - Pulp (000 mt)	275	320	(45)

### Pulp operating income down \$8.6 million to \$18.1 million

- **Shipments and production down 14% and 3%, respectively** reflecting weather-related impacts on production, and delayed vessel shipment over year end
- **Slightly higher unit manufacturing costs** reflecting seasonally higher energy usage and costs and lower productivity
- **Sales realizations broadly in line:** Benefit of weaker CDN \$ offsetting increased NBSK price pressure in North America; improved BCTMP prices
- **Energy revenues higher:** Increased power generation and seasonally higher energy prices in Q4

### Paper operating income up \$0.9 million to \$8.1 million

- Weaker CDN \$ and lower unit manufacturing costs re: improved productivity