

**Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 2, 2017  
Financial Performance Overview**



Presented by:

Alan Nicholl - Senior Vice President, Finance & CFO



- 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 and Management's Discussion & Analysis for the six months ended June 30, 2017.

**Canfor Corporation**  
**Q2 2017 Review: Items Impacting Earnings Comparability**



(millions of dollars, except for per share amounts)	Q2 2017		Q1 2017	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 81.3	\$ 0.61	\$ 66.1	\$ 0.50
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Foreign exchange gain on long-term debt	\$ (2.9)	\$ (0.02)	\$ (1.0)	\$ (0.01)
Countervailing and anti-dumping duty deposits	\$ 25.8	\$ 0.19	\$ -	\$ -
Gain on derivative financial instruments	\$ -	\$ -	\$ (2.4)	\$ (0.02)
Gain on sale of investment in Anthony EACOM Inc.	\$ -	\$ -	\$ (3.4)	\$ (0.02)
Net impact of above items	\$ 22.9	\$ 0.17	\$ (6.8)	\$ (0.05)
Shareholder net income, as adjusted	\$ 104.2	\$ 0.78	\$ 59.3	\$ 0.45

# Canfor Corporation

## Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q2 2017	Q1 2017	Variance
Gross Sales	\$ 1,185.2	\$ 1,126.2	\$ 59.0
Reported Operating income (loss) by segment:			
Lumber	\$ 110.4	\$ 83.7	\$ 26.7
Pulp and Paper	\$ 31.5	\$ 35.2	\$ (3.7)
Unallocated and Other	\$ (10.9)	\$ (12.1)	\$ 1.2
<b>Total operating income, as reported</b>	<b>\$ 131.0</b>	<b>\$ 106.8</b>	<b>\$ 24.2</b>
<b>Total operating income, as adjusted</b>	<b>\$ 165.8</b>	<b>\$ 106.8</b>	<b>\$ 59.0</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.744	\$ 0.756	\$ (0.012)

Reported operating income (loss) before amortization			
Lumber	\$ 154.0	\$ 127.2	\$ 26.8
Pulp and Paper	\$ 50.0	\$ 54.0	\$ (4.0)
Unallocated and Other	\$ (10.9)	\$ (12.1)	\$ 1.2
<b>Total operating income before amortization, as reported</b>	<b>\$ 193.1</b>	<b>\$ 169.1</b>	<b>\$ 24.0</b>
<b>Total operating income before amortization, as adjusted</b>	<b>\$ 227.9</b>	<b>\$ 169.1</b>	<b>\$ 58.8</b>

**Canfor Corporation**  
**Lumber: Q2 2017 vs. Q1 2017**



(millions of dollars unless otherwise noted)	Q2 2017	Q1 2017	Variance
Sales	\$ 904.3	\$ 817.1	\$ 87.2
Operating income before amortization, as reported	\$ 154.0	\$ 127.2	\$ 26.8
Operating income, as reported	\$ 110.4	\$ 83.7	\$ 26.7
Operating income, as adjusted	\$ 145.2	\$ 83.7	\$ 61.5
Average SPF 2x4 #2&Btr lumber price in CDN\$	\$ 521	\$ 460	\$ 61
Average SYP East 2x4 #2 lumber price in US\$	\$ 476	\$ 482	\$ (6)
Production - SPF lumber (MMfbm)	952	936	16
Production - SYP lumber (MMfbm)	358	362	(4)
Shipments - Canfor-produced SPF lumber (MMfbm)	1,002	925	77
Shipments - Canfor-produced SYP lumber (MMfbm)	353	346	7

**Reported operating income up \$26.7 million to \$110.4 million in Q2**

- **Higher WSPF and SYP sales realizations**
  - WSPF sales realizations – Higher average WSPF prices and 2% weaker Canadian dollar more than offsetting preliminary CVD expensed
  - SYP sales realizations – Slightly higher SYP East 2x6 pricing and higher value sales mix more than offsetting small decline in SYP East 2x4 pricing
- **Lumber shipments up 7% reflecting return to more normal operating conditions following challenging weather in prior quarter**
- **Lumber production broadly in line with prior quarter with overall improving productivity offsetting more statutory holidays in Q2 and capital-related downtime in the US South**
- **Unit manufacturing costs in line with prior quarter with productivity gains and stable US South log costs offsetting higher market-based stumpage and purchased wood costs in Western Canada (weather-related)**
- **Adjusted lumber operating income up \$61.5 million from Q2**

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



(millions of dollars unless otherwise noted)	Q2 2017	Q1 2017	Variance
<b>Gross Sales</b>	\$ 280.9	\$ 309.2	\$ (28.3)
Operating income (loss) by segment:			
Pulp	\$ 28.0	\$ 31.1	\$ (3.1)
Paper	\$ 6.6	\$ 7.1	\$ (0.5)
Unallocated	\$ (3.1)	\$ (3.0)	\$ (0.1)
<b>Total operating income</b>	\$ 31.5	\$ 35.2	\$ (3.7)
<b>Net income, as reported</b>	\$ 20.2	\$ 24.1	\$ (3.9)
Operating income (loss) before amortization by segment:			
Pulp	\$ 45.5	\$ 49.0	\$ (3.5)
Paper	\$ 7.6	\$ 8.0	\$ (0.4)
Unallocated	\$ (3.1)	\$ (3.0)	\$ (0.1)
<b>Total operating income before amortization</b>	\$ 50.0	\$ 54.0	\$ (4.0)
Average NBSK pulp list price delivered to China - US\$	\$ 670	\$ 645	\$ 25
Average NBSK pulp list price delivered to China - CDN\$	\$ 901	\$ 853	\$ 48
Production - Pulp (000 mt)	275	317	(42)
Shipments - Pulp (000 mt)	276	337	(61)

### Pulp operating income down \$3.1 million to \$28.0 million

- **Production down 13%** reflecting approximately 40,000 tonnes lower production relating primarily to scheduled maintenance outages
- **Shipments down 18%** reflecting the reduced production and impact in the previous quarter of a delayed vessel shipment from December 2016 (14,000 tonnes)
- **Higher unit manufacturing costs** reflecting scheduled outages, market-driven increases in fibre costs offset in part by seasonally lower energy costs
- **Solid increases in NBSK sales realizations:** Pricing reflecting carry-over of strong demand from prior quarter well into spring maintenance period coupled with impact of orders taken in prior quarter and weaker CDN \$; BCTMP sales realizations benefitting from positive trend in pricing and weaker CDN \$
- **Lower energy revenues:** Scheduled maintenance downtime and seasonally lower energy prices

### Paper operating income down \$0.5 million to \$6.6 million

- Weaker CDN \$ offsetting modest increases in unit manufacturing costs largely driven by higher slush pulp prices