

Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 2, 2013  
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, 2012.

Canfor Corporation  
Q2 2013 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q2 2013		Q1 2013	
	\$	\$/Share	\$	\$/Share
Net income attributable to equity shareholders of the Company	\$ 110.3	\$ 0.77	\$ 61.9	\$ 0.43
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Foreign exchange loss on long-term debt and investments, net	\$ 1.8	\$ 0.01	\$ 2.3	\$ 0.02
(Gain) loss on derivative financial instruments	\$ 1.0	\$ 0.01	\$ (2.2)	\$ (0.02)
Canfor's 50% interest in Canfor-LP OSB's income, net of tax	\$ 3.8	\$ 0.03	\$ 8.3	\$ 0.06
Gain on completion of sale of Canfor-LP OSB	\$ (33.4)	\$ (0.24)	\$ -	\$ -
Change in substantively enacted tax rate	\$ 4.2	\$ 0.03	\$ -	\$ -
Net impact of above items	\$ (22.6)	\$ (0.16)	\$ 8.4	\$ 0.06
Shareholder net income, as adjusted	\$ 87.7	\$ 0.61	\$ 70.3	\$ 0.49

## Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q2 2013	Q1 2013	Variance
Gross Sales	\$ 843.2	\$ 786.3	\$ 56.9
Operating income (loss) by segment:			
Lumber	\$ 115.5	\$ 88.4	\$ 27.1
Pulp and Paper	\$ 18.6	\$ 18.9	\$ (0.3)
Unallocated and Other	\$ (5.9)	\$ (7.3)	\$ 1.4
<b>Total operating income, as reported</b>	<b>\$ 128.2</b>	<b>\$ 100.0</b>	<b>\$ 28.2</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.977	\$ 0.991	\$ (0.014)
End of Period Exchange Rate (US\$ per C\$1.00)	\$ 0.951	\$ 0.985	\$ (0.034)

Operating income (loss) before amortization by segment:			
Lumber	\$ 145.4	\$ 115.7	\$ 29.7
Pulp and Paper	\$ 38.0	\$ 38.3	\$ (0.3)
Unallocated and Other	\$ (5.6)	\$ (7.1)	\$ 1.5
<b>Total operating income before amortization</b>	<b>\$ 177.8</b>	<b>\$ 146.9</b>	<b>\$ 30.9</b>

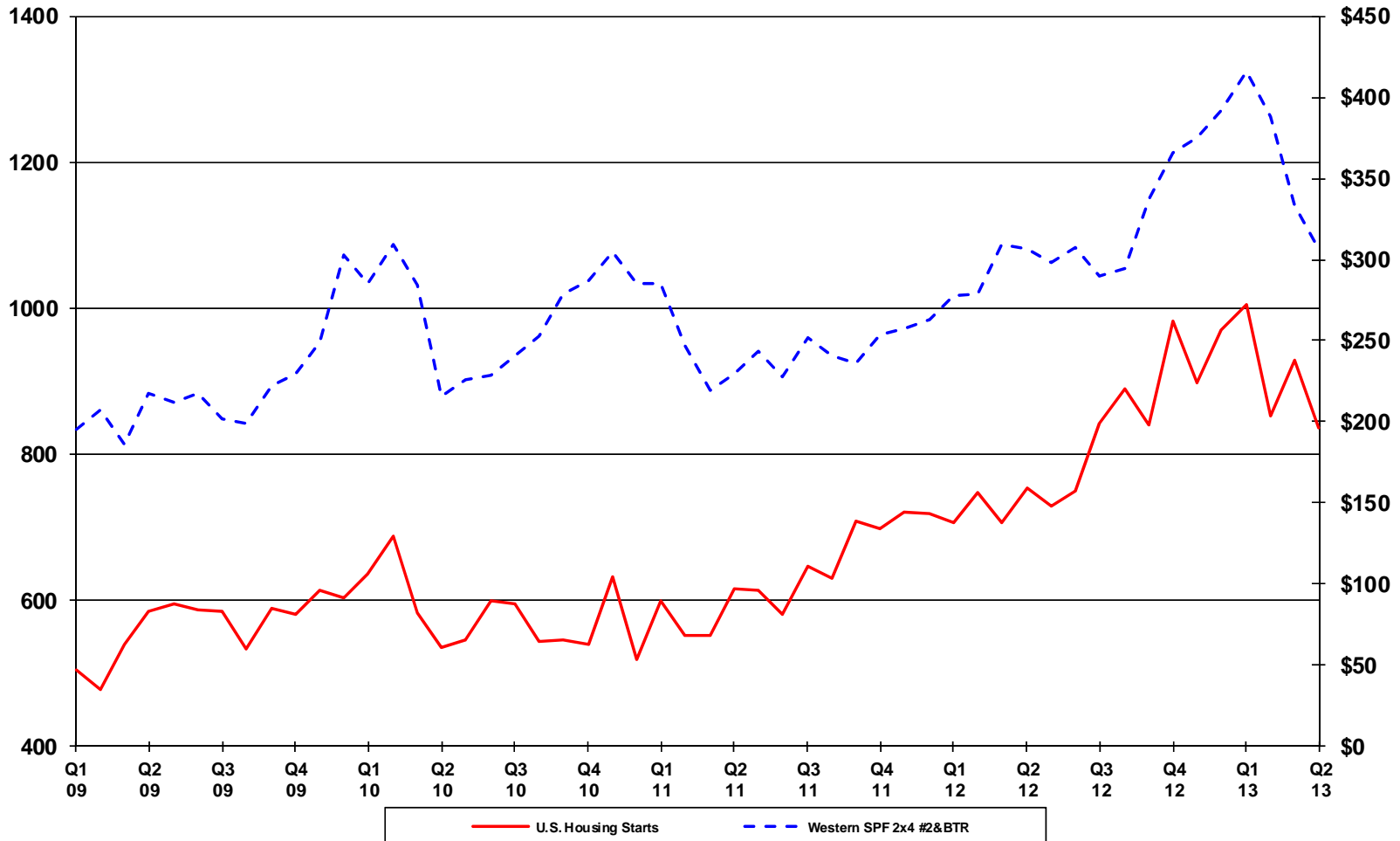
# CDN\$ Lumber Prices and U.S. Housing Starts Comparison



U.S. Housing Starts SAAR  
(Thousand Units)

## CDN\$ Lumber Prices and U.S. Housing Starts Comparison

Western SPF #2&Btr  
(CDN\$/Mfbm)



Note: Canadian price is calculated as the US price multiplied by the average monthly exchange rate per the Bank of Canada Source: U.S. Bureau of the Census and Random Lengths Publications, Inc.



(millions of dollars unless otherwise noted)	Q2 2013	Q1 2013	Variance
Sales	\$ 586.8	\$ 542.3	\$ 44.5
Operating income before amortization	\$ 145.4	\$ 115.7	\$ 29.7
Operating income	\$ 115.5	\$ 88.4	\$ 27.1
Average SPF 2x4 #2&Btr price in CDN\$	\$ 343	\$ 395	\$ (52)
Average SYP 2x4 #2 lumber price in US\$	\$ 392	\$ 452	\$ (60)
Production - SPF lumber (MMfbm)	1,119	1,065	54
Production - SYP lumber (MMfbm)	135	135	-
Shipments - Canfor-produced SPF lumber (MMfbm)	1,118	1,004	114
Shipments - Canfor-produced SYP lumber (MMfbm)	143	123	20

### Operating earnings improved \$27.1 million to \$115.5 million

- Shipments up 12%, or 134 million board feet, reflecting higher production levels and improved railcar availability.
- Production up 5%, or 54 million board feet, reflecting recently completed capital upgrades, more operating days and additional overtime shifts.
- Sales realizations in line with previous quarter due to stable offshore pricing and higher shipments early in quarter offsetting impact of sharp correction of North American prices through May and June.
- Modest decrease in unit manufacturing costs reflecting higher production levels and seasonally lower energy costs.

Canfor Pulp Products Inc.  
Q2 2013 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q2 2013		Q1 2013	
	\$	\$/Share	\$	\$/Share
Net income	\$ 7.6	\$ 0.11	\$ 10.9	\$ 0.15
Non-operating / unusual items (after-tax)				
Foreign exchange loss on long-term debt	\$ 3.4	\$ 0.05	\$ 2.0	\$ 0.03
(Gain) loss on derivative financial instruments	\$ 2.0	\$ 0.03	\$ (0.5)	\$ (0.01)
Change in substantively enacted tax rate	\$ 2.4	\$ 0.03	\$ -	\$ -
Net impact of above items	\$ 7.8	\$ 0.11	\$ 1.5	\$ 0.02
Net income, as adjusted	\$ 15.4	\$ 0.22	\$ 12.4	\$ 0.17

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



(millions of dollars unless otherwise noted)	Q2 2013	Q1 2013	Variance
<b>Gross Sales</b>	\$ 227.6	\$ 217.5	\$ 10.1
Operating income (loss) by segment:			
Pulp	\$ 15.4	\$ 15.4	\$ -
Paper	\$ 7.1	\$ 5.9	\$ 1.2
Unallocated	\$ (3.0)	\$ (2.3)	\$ (0.7)
<b>Total operating income</b>	\$ 19.5	\$ 19.0	\$ 0.5
<b>Net income</b>	\$ 7.6	\$ 10.9	\$ (3.3)
Operating income (loss) before amortization by segment:			
Pulp	\$ 33.4	\$ 33.3	\$ 0.1
Paper	\$ 8.0	\$ 6.9	\$ 1.1
Unallocated	\$ (2.9)	\$ (2.3)	\$ (0.6)
<b>Total operating income before amortization</b>	\$ 38.5	\$ 37.9	\$ 0.6
Average NBSK pulp list price delivered to U.S. - US\$	\$ 937	\$ 897	\$ 40
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 959	\$ 905	\$ 54
Production - Pulp (000 mt)	250	265	(15)
Shipments - Pulp (000 mt)	255	258	(3)

### Pulp operating income unchanged at \$15.4 million

- Average list price to North America up US\$40 per tonne, or 4%, to US\$937 per tonne. List prices to China and Europe seeing more modest gains.
  - Sales realizations up moderately, reflecting improved prices and weaker Canadian dollar.
- Moderate increase in unit manufacturing costs, reflecting lower production levels and higher maintenance spending relating to scheduled outages.

### Paper operating income up \$1.2 million to \$7.1 million

- Paper shipments up 6% along with small improvement in unit sales realizations.