

Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 1, 2014  
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, 2013.

Canfor Corporation  
Q1 2014 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q1 2014		Q4 2013	
	\$	\$/Share	\$	\$/Share
Net income attributable to equity shareholders of the Company	\$ 45.5	\$ 0.33	\$ 28.0	\$ 0.20
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Loss on derivative financial instruments	\$ 2.1	\$ 0.02	\$ 0.1	\$ -
Gain on sale of Daaquam Sawmill	\$ (1.6)	\$ (0.01)	\$ -	\$ -
Foreign exchange loss on long-term debt	\$ -	\$ -	\$ 1.5	\$ 0.01
Quesnel mill closure provision	\$ -	\$ -	\$ 14.8	\$ 0.10
One-time costs associated with collective agreements for the lumber business	\$ -	\$ -	\$ 0.8	\$ 0.01
Unrealized loss on contingent consideration - related to sale of Canfor-LP OSB	\$ 0.4	\$ -	\$ 3.6	\$ 0.03
Net impact of above items	\$ 0.9	\$ 0.01	\$ 20.8	\$ 0.15
Shareholder net income, as adjusted	\$ 46.4	\$ 0.34	\$ 48.8	\$ 0.35

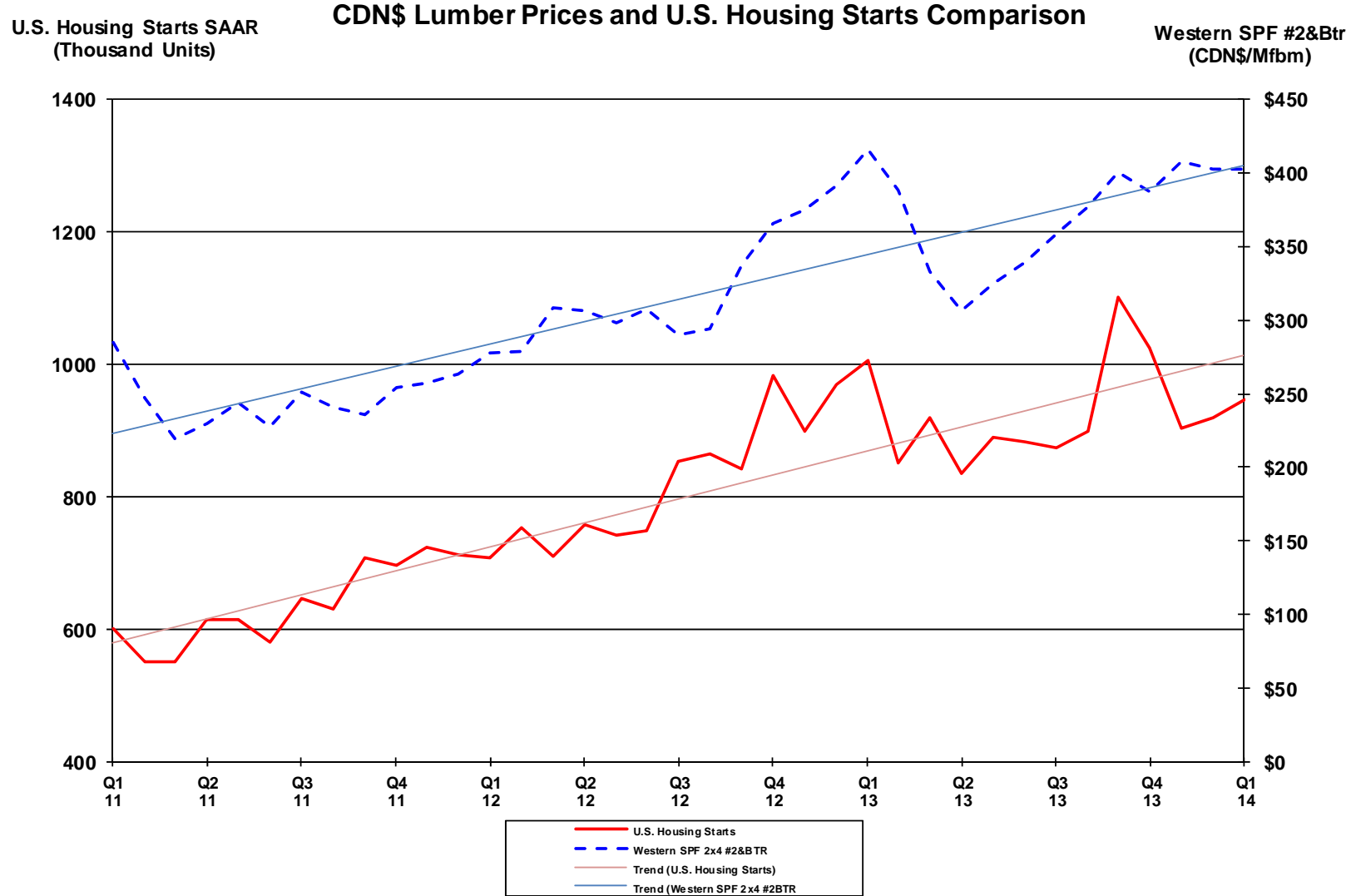
## Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q1 2014	Q4 2013	Variance
Gross Sales	\$ 741.9	\$ 809.5	\$ (67.6)
Operating income (loss) by segment:			
Lumber	\$ 56.4	\$ 37.4	\$ 19.0
Pulp and Paper	\$ 36.5	\$ 23.2	\$ 13.3
Unallocated and Other	\$ (8.5)	\$ (6.8)	\$ (1.7)
<b>Total operating income, as reported</b>	<b>\$ 84.4</b>	<b>\$ 53.8</b>	<b>\$ 30.6</b>
<b>Total operating income, adjusted for one-time items</b>	<b>\$ 84.4</b>	<b>\$ 74.9</b>	<b>\$ 9.5</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.906	\$ 0.953	\$ (0.047)

Operating income (loss) before amortization and one-time items by segment:			
Lumber	\$ 84.3	\$ 87.2	\$ (2.9)
Pulp and Paper	\$ 53.0	\$ 39.2	\$ 13.8
Unallocated and Other	\$ (8.4)	\$ (6.6)	\$ (1.8)
<b>Total operating income before amortization and one-time items</b>	<b>\$ 128.9</b>	<b>\$ 119.8</b>	<b>\$ 9.1</b>

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



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.

Canfor Corporation  
Lumber: Q1 2014 vs. Q4 2013



	Q1 2014	Q4 2013	Variance
(millions of dollars unless otherwise noted)			
Sales	\$ 495.7	\$ 533.7	\$ (38.0)
Operating income before amortization and one-time items	\$ 84.3	\$ 87.2	\$ (2.9)
Operating income	\$ 56.4	\$ 37.4	\$ 19.0
Quesnel closure provision	\$ -	\$ 20.0	\$ (20.0)
One-time costs associated with collective agreements	\$ -	\$ 1.1	\$ (1.1)
Operating income adjusted for one-time items	\$ 56.4	\$ 58.5	\$ (2.1)
Average SPF 2x4 #2&Btr price in CDN\$	\$ 405	\$ 388	\$ 17
Average SYP 2x4 #2 lumber price in US\$	\$ 403	\$ 415	\$ (12)
Production - SPF lumber (MMfbm)	981	945	36
Production - SYP lumber (MMfbm)	135	135	-
Shipments - Canfor-produced SPF lumber (MMfbm)	779	961	(182)
Shipments - Canfor-produced SYP lumber (MMfbm)	143	142	1

**Adjusted operating earnings down \$2.1 million to \$56.4 million**

- Shipments down 180 million board feet (16%)
  - Reflecting limited railcar supply (weather-related) and 28-day truckers' strike at the port in Vancouver, Canada
- Sales realizations up from Q4
  - North American sales realizations benefitting from favourable impact of 5% weaker Canadian dollar
  - US\$ prices relatively stable quarter-over-quarter
- Increase in unit manufacturing costs from Q4
  - Impact of market-related increases in stumpage, seasonally higher energy usage & prices, continued dust control efforts, partially offset by favourable impact of higher production (up 3% from Q4)

Canfor Pulp Products Inc.  
Q1 2014 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q1 2014		Q4 2013	
	\$	\$/Share	\$	\$/Share
Net income	\$ 25.7	\$ 0.36	\$ 14.2	\$ 0.20
Non-operating / unusual items (after-tax)				
Loss on derivative financial instruments	\$ 1.0	\$ 0.01	\$ 0.1	\$ -
Foreign exchange loss on long-term debt	\$ -	\$ -	\$ 3.0	\$ 0.04
Net impact of above items	\$ 1.0	\$ 0.01	\$ 3.1	\$ 0.04
Net income, as adjusted	\$ 26.7	\$ 0.37	\$ 17.3	\$ 0.24

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



(millions of dollars unless otherwise noted)	Q1 2014	Q4 2013	Variance
<b>Gross Sales</b>	\$ 226.4	\$ 245.6	\$ (19.2)
Operating income (loss) by segment:			
Pulp	\$ 35.0	\$ 24.1	\$ 10.9
Paper	\$ 4.5	\$ 3.8	\$ 0.7
Unallocated and other	\$ (3.1)	\$ (3.9)	\$ 0.8
<b>Total operating income</b>	\$ 36.4	\$ 24.0	\$ 12.4
<b>Net income</b>	\$ 25.7	\$ 14.2	\$ 11.5
Operating income (loss) before amortization by segment:			
Pulp	\$ 50.1	\$ 38.8	\$ 11.3
Paper	\$ 5.4	\$ 4.6	\$ 0.8
Unallocated and other	\$ (3.1)	\$ (3.9)	\$ 0.8
<b>Total operating income before amortization</b>	\$ 52.4	\$ 39.5	\$ 12.9
Average NBSK pulp list price delivered to U.S. - US\$	\$ 1,017	\$ 983	\$ 34
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 1,122	\$ 1,032	\$ 90
Production - Pulp (000 mt)	259	246	13
Shipments - Pulp (000 mt)	222	273	(51)

### **Pulp operating income up \$10.9 million to \$35.0 million**

- Pulp shipments down up 51,000 tonnes (19%) mostly reflecting transportation challenges in Q1
- Softwood pulp prices up in all regions; sales realizations also benefitting from 5% weaker Canadian dollar
- Increase in unit manufacturing costs from Q4
  - Favourable impact of 5% increase in production more than offset by higher fibre (market-based) costs, seasonally higher energy usage and prices

### **Paper operating income up \$0.7 million to \$4.8 million**

- Improved paper units sales realizations reflecting weaker Canadian dollar
- Higher unit manufacturing costs resulting from increased slush pulp costs (linked to market), partly offset by higher productivity and lower operating costs