

Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 3, 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  
 Q3 2013 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q3 2013		Q2 2013	
	\$	\$/Share	\$	\$/Share
Net income attributable to equity shareholders of the Company	\$ 28.4	\$ 0.20	\$ 110.3	\$ 0.77
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on long-term debt and investments, net	\$ (1.0)	\$ (0.01)	\$ 1.8	\$ 0.01
(Gain) loss on derivative financial instruments	\$ (2.2)	\$ (0.02)	\$ 1.0	\$ 0.01
Canfor's 50% interest in Canfor-LP OSB's income, net of tax	\$ -	\$ -	\$ 3.8	\$ 0.03
(Gain) loss on completion of sale of Canfor-LP OSB	\$ 1.0	\$ 0.01	\$ (33.4)	\$ (0.24)
Change in substantively enacted tax rate	\$ -	\$ -	\$ 4.2	\$ 0.03
Net impact of above items	\$ (2.2)	\$ (0.02)	\$ (22.6)	\$ (0.16)
Shareholder net income, as adjusted	\$ 26.2	\$ 0.18	\$ 87.7	\$ 0.61

## Canfor Corporation Sales and Operating Earnings Summary



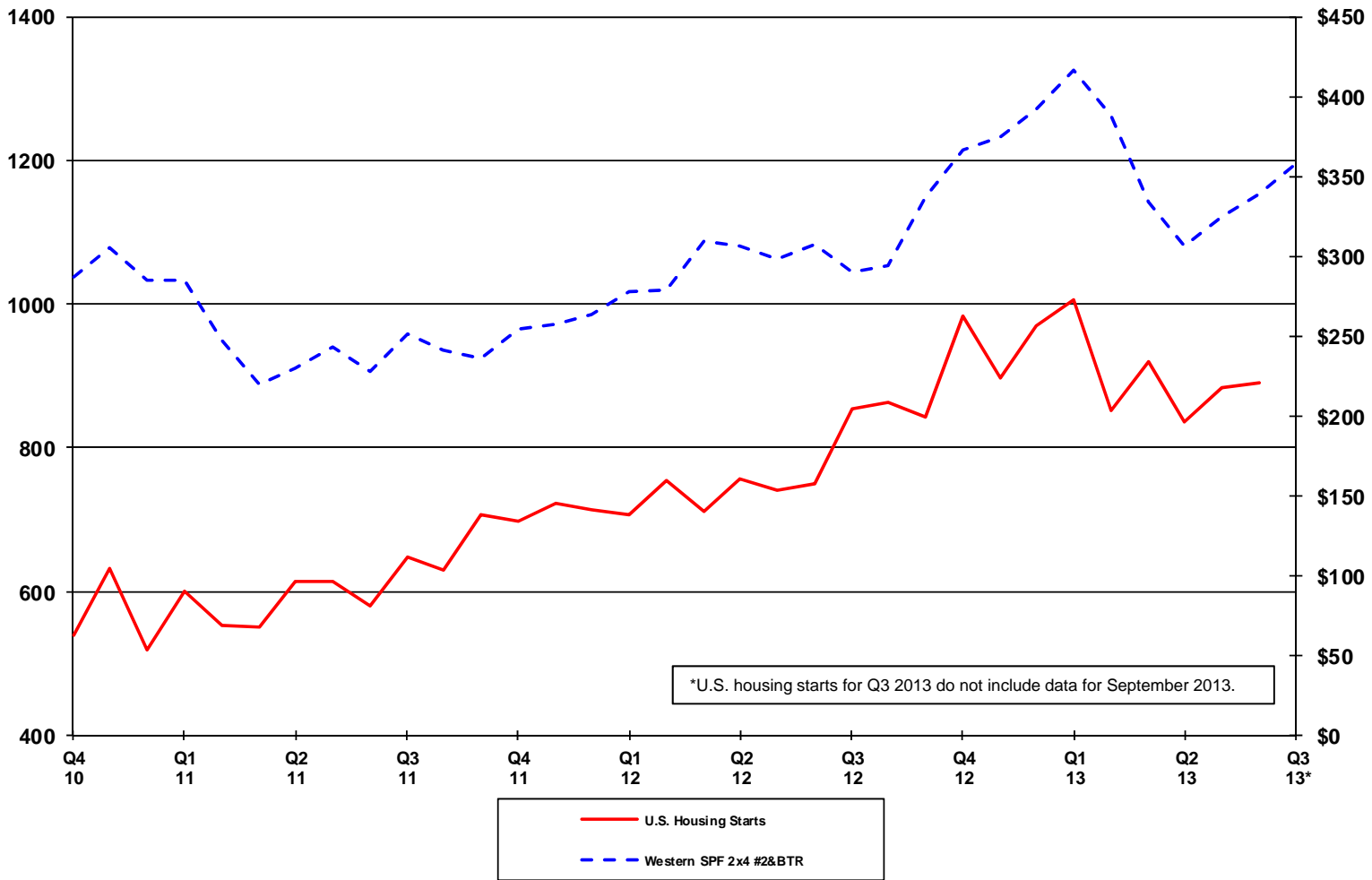
(millions of dollars unless otherwise noted)	Q3 2013	Q2 2013	Variance
Gross Sales	\$ 755.9	\$ 843.2	\$ (87.3)
Operating income (loss) by segment:			
Lumber	\$ 43.8	\$ 115.5	\$ (71.7)
Pulp and Paper	\$ 11.5	\$ 18.6	\$ (7.1)
Unallocated and Other	\$ (6.0)	\$ (5.9)	\$ (0.1)
<b>Total operating income, as reported</b>	<b>\$ 49.3</b>	<b>\$ 128.2</b>	<b>\$ (78.9)</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.963	\$ 0.977	\$ (0.014)
End of Period Exchange Rate (US\$ per C\$1.00)	\$ 0.971	\$ 0.951	\$ 0.020

Operating income (loss) before amortization by segment:			
Lumber	\$ 71.4	\$ 145.4	\$ (74.0)
Pulp and Paper	\$ 28.5	\$ 38.0	\$ (9.5)
Unallocated and Other	\$ (5.8)	\$ (5.6)	\$ (0.2)
<b>Total operating income before amortization</b>	<b>\$ 94.1</b>	<b>\$ 177.8</b>	<b>\$ (83.7)</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)	Q3 2013	Q2 2013	Variance
Sales	\$ 529.4	\$ 586.8	\$ (57.4)
Operating income before amortization	\$ 71.4	\$ 145.4	\$ (74.0)
Operating income	\$ 43.8	\$ 115.5	\$ (71.7)
Average SPF 2x4 #2&Btr price in CDN\$	\$ 340	\$ 343	\$ (3)
Average SYP 2x4 #2 lumber price in US\$	\$ 393	\$ 392	\$ 1
Production - SPF lumber (MMfbm)	1,044	1,119	(75)
Production - SYP lumber (MMfbm)	131	135	(4)
Shipments - Canfor-produced SPF lumber (MMfbm)	1,066	1,118	(52)
Shipments - Canfor-produced SYP lumber (MMfbm)	140	143	(3)

### Operating earnings down \$71.7 million to \$43.8 million

- Sales realizations down from Q2 highs in most markets
  - Prices reflecting a carry-over of weaker market conditions from June with a more marked effect in offshore markets due to majority of pricing being negotiated monthly or quarterly in advance
  - Resumption of export tax on shipments to the U.S. (10% August; 5% September)
- Production down 79 million board feet (6%) and shipments down 55 million board feet (5%), principally reflecting capital related downtime and subsequent ramp-ups at Elko and Mackenzie sawmills
- Unit manufacturing costs up from Q2
  - Impact of market-driven increase in B.C. stumpage, and, to a lesser extent, flooding in southeast B.C. in prior quarter and lower production due to capital and scheduled maintenance related downtime

Canfor Pulp Products Inc.  
Q3 2013 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q3 2013		Q2 2013	
	\$	\$/Share	\$	\$/Share
Net income	\$ 9.1	\$ 0.13	\$ 7.6	\$ 0.11
Non-operating / unusual items (after-tax)				
Foreign exchange (gain) loss on long-term debt	\$ (2.0)	\$ (0.03)	\$ 3.4	\$ 0.05
(Gain) loss on derivative financial instruments	\$ (1.5)	\$ (0.02)	\$ 2.0	\$ 0.03
Change in substantively enacted tax rate	\$ -	\$ -	\$ 2.4	\$ 0.03
Net impact of above items	\$ (3.5)	\$ (0.05)	\$ 7.8	\$ 0.11
Net income, as adjusted	\$ 5.6	\$ 0.08	\$ 15.4	\$ 0.22

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



(millions of dollars unless otherwise noted)	Q3 2013	Q2 2013	Variance
<b>Gross Sales</b>	\$ 196.1	\$ 227.6	\$ (31.5)
Operating income (loss) by segment:			
Pulp	\$ 8.3	\$ 15.4	\$ (7.1)
Paper	\$ 5.9	\$ 7.1	\$ (1.2)
Unallocated	\$ (2.9)	\$ (3.0)	\$ 0.1
<b>Total operating income</b>	\$ 11.3	\$ 19.5	\$ (8.2)
<b>Net income</b>	\$ 9.1	\$ 7.6	\$ 1.5
Operating income (loss) before amortization by segment:			
Pulp	\$ 23.8	\$ 33.4	\$ (9.6)
Paper	\$ 6.9	\$ 8.0	\$ (1.1)
Unallocated	\$ (2.9)	\$ (2.9)	\$ -
<b>Total operating income before amortization</b>	\$ 27.8	\$ 38.5	\$ (10.7)
Average NBSK pulp list price delivered to U.S. - US\$	\$ 947	\$ 937	\$ 10
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 983	\$ 959	\$ 24
Production - Pulp (000 mt)	221	250	(29)
Shipments - Pulp (000 mt)	212	255	(43)

### Pulp operating income down \$7.1 million to \$8.3 million

- Pulp production down 29,000 tonnes (12%) and shipments down 43,000 tonnes (17%) in Q3 contributing to higher unit manufacturing costs
  - Scheduled major maintenance outage at Northwood and power interruptions and shutdowns due to thunderstorms in the Prince George region
- Relatively steady global softwood pulp markets despite seasonally slower summer period
  - Modest increase in sales realizations for Q3 mostly reflecting a 1% weaker Canadian dollar
- Higher fibre costs mainly reflecting increased sawmill residual chip prices

### Paper operating income down \$1.2 million to \$5.9 million

- Paper production down 1,500 tonnes (4%) and shipments down 1,700 tonnes (5%) in Q3