RAYMOND JAMES
US SOUTH CONFERENCE

September 2016

CANFOR CORPORATION (CFP)

Locations

○ **23 Sawmills**
  - 12 in Canada, 11 in US Southeast
  - Capacity: SPF = 4.3 Bfbm, SYP = 1.5 Bfbm

● **4 Green Energy Plants**
  - 1 plant in Alberta
  - 3 pellet plants in BC

● **3 Engineered Product Facilities**
  - 2 Glulam Mills
  - 50% I-Joist plant

● **4 Pulp Mills / 1 Kraft Paper Mill (integrated)**
  - 3 NBSK pulp and paper facilities in Prince George, BC
  - 1 BCTMP facility near Fort St John, BC
  - Capacity: 1.3 billion admt pulp; 140,000 admt paper
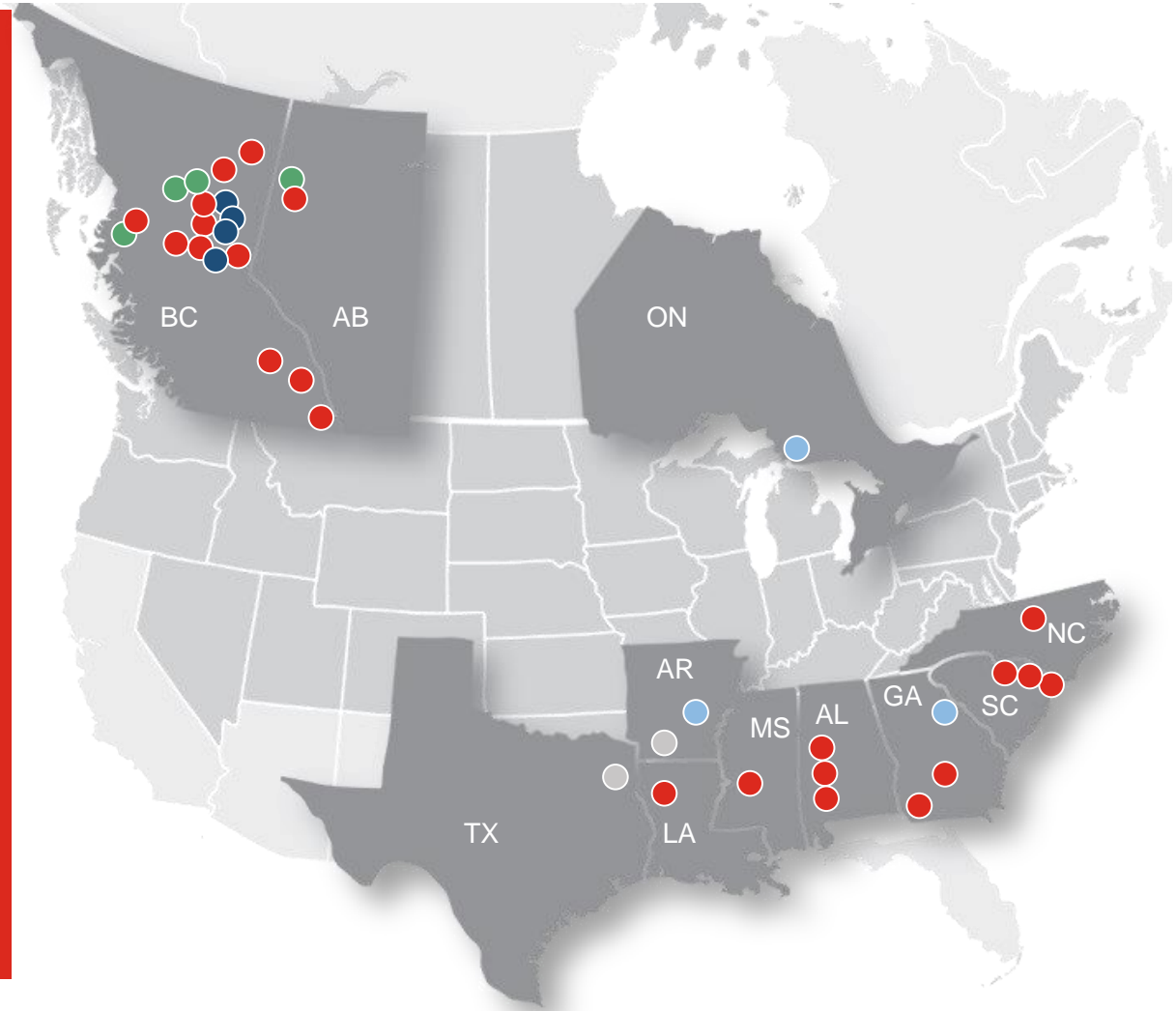
CANFOR ACQUISITIONS TIMELINE

YEAR	COMPANY	LOCATIONS
2012	Tembec BC Sawmills	▪ Elko, BC ▪ Canal Flats, BC
2013	Scotch Gulf Lumber	▪ Fulton, AL ▪ Jackson, AL ▪ Mobile, AL
2014	Southern Lumber	▪ Hermanville, MS
2015	Beadles & Balfour	▪ Moultrie, GA ▪ Thomasville, GA
2015	Anthony Forest Products	▪ Urbana, AR ▪ El Dorado, AR ▪ Washington, GA ▪ Sault Ste. Marie, ON
2016	Wynnwood	▪ Wynndel, BC

Offshore Markets

CANADA'S RAPID GROWTH IN CHINA
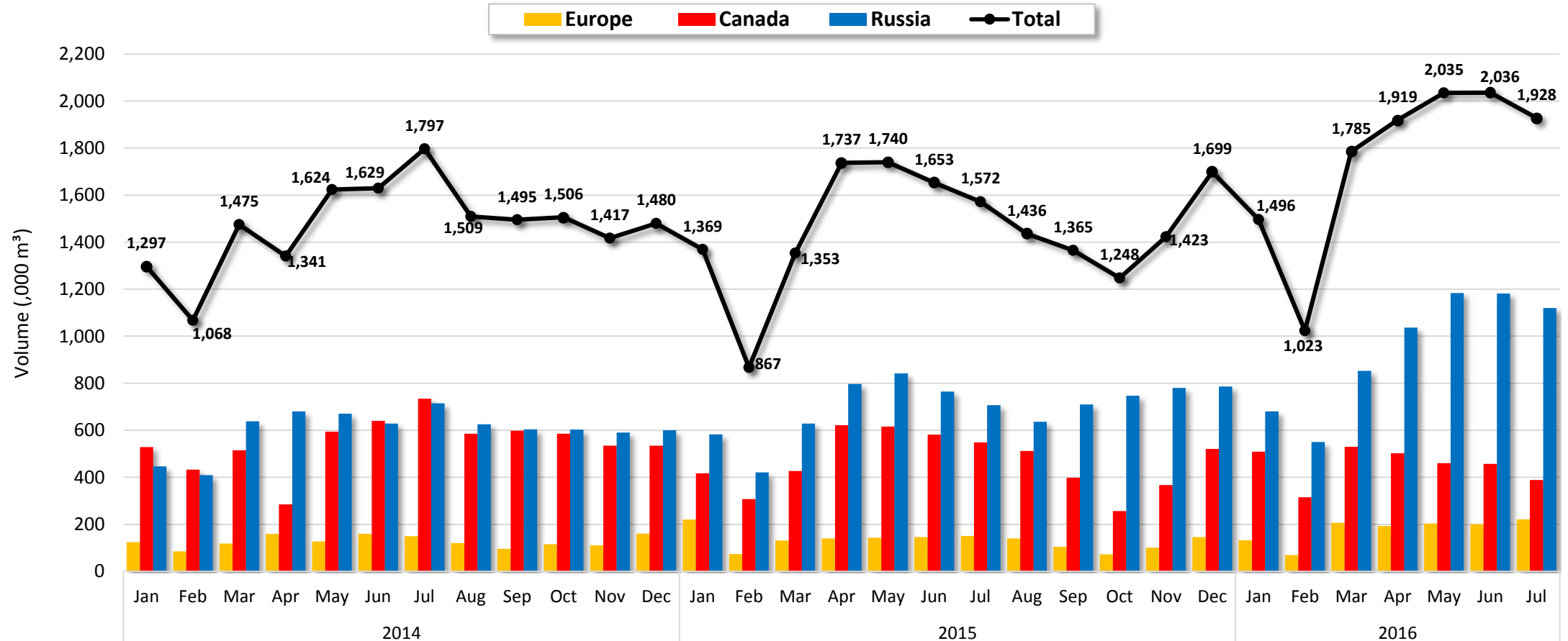

Source: COFI

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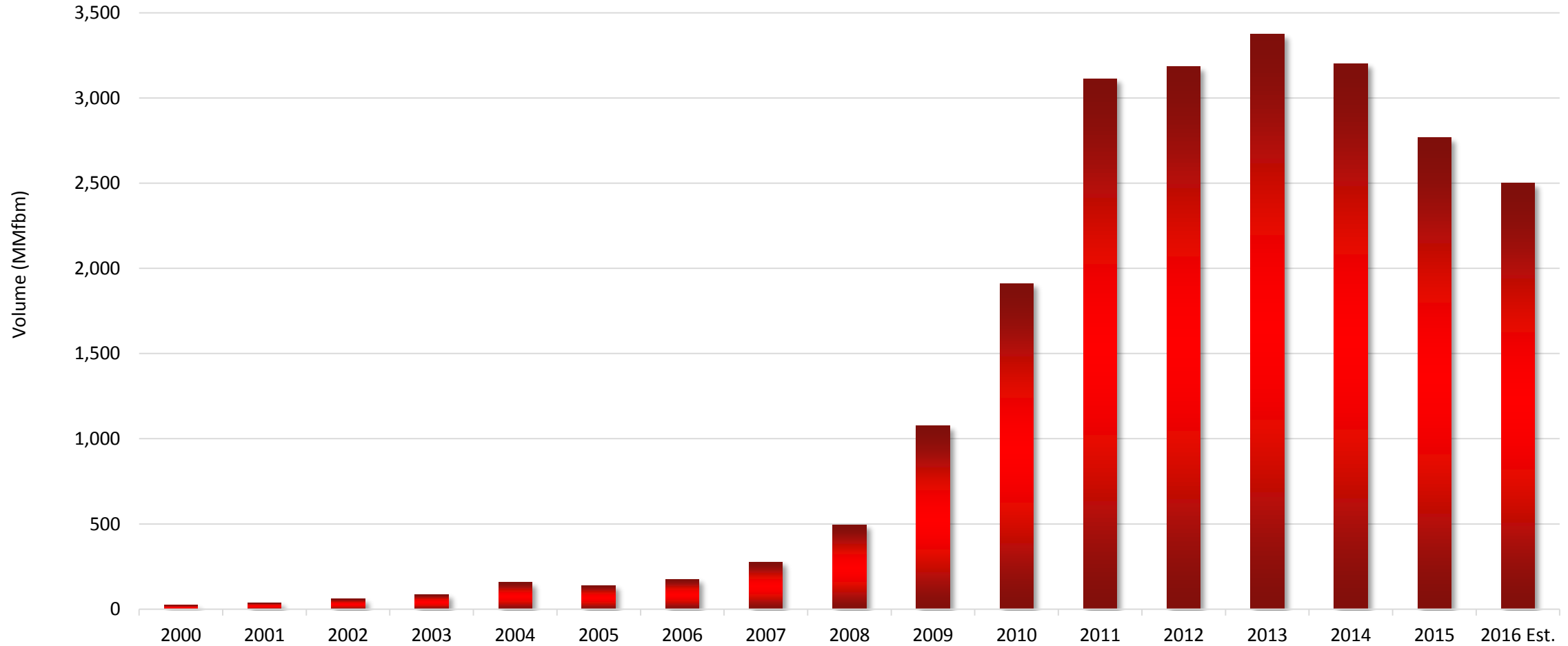
CHINA – ROBUST LUMBER DEMAND FUELING STRONG IMPORTS

- **Total softwood lumber imports increased 19% year-over-year**
- **Russian imports up 39% due to favourable foreign exchange**
- **Supply from Canada down 10%, Europe volume up 22%**

Source: China Customs

CHINA - MARKET SHARE OF MAJOR LUMBER SUPPLIERS: "A 2 HORSE RACE"
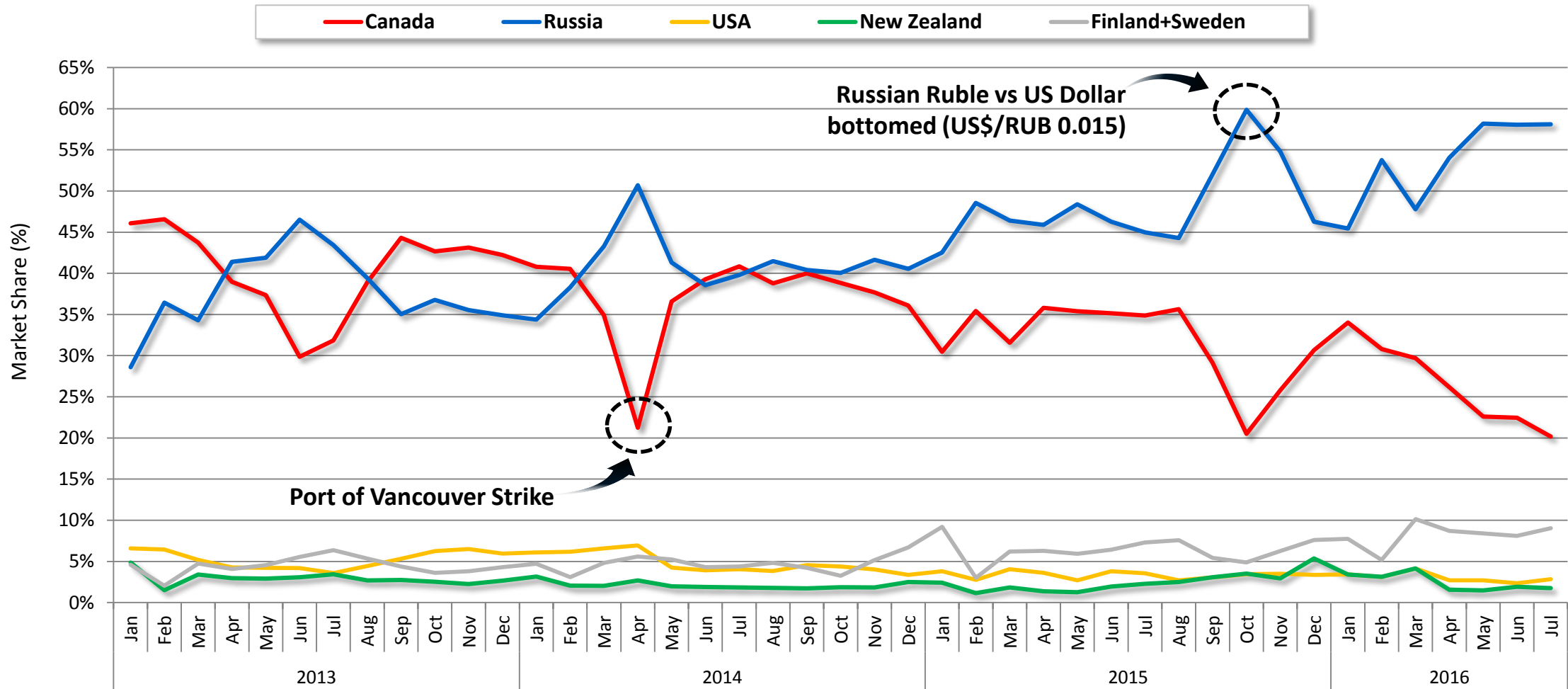
Source: China Customs

CHINA WOOD USE – MOVING UP IN VALUE, AND INCREASED DIVERSITY OF END USE APPLICATIONS

Furniture

Wood Frame Construction

Door Core

Furring Strips

Concrete Forming

CANFOR

CHINA – IMPORTS OF LUMBER

2007
- Low Grade, 93%
- #2 Grade, 7%

2015
- Low Grade, 63%
- #2 Grade, 26%
- Prime, 11%

Legend: Russia | Canada | USA | Thailand | Malaysia | Indonesia | New Zealand | Others

Volume (MMfbm) — years 2006 through 2015

Source: China Customs

CANFOR
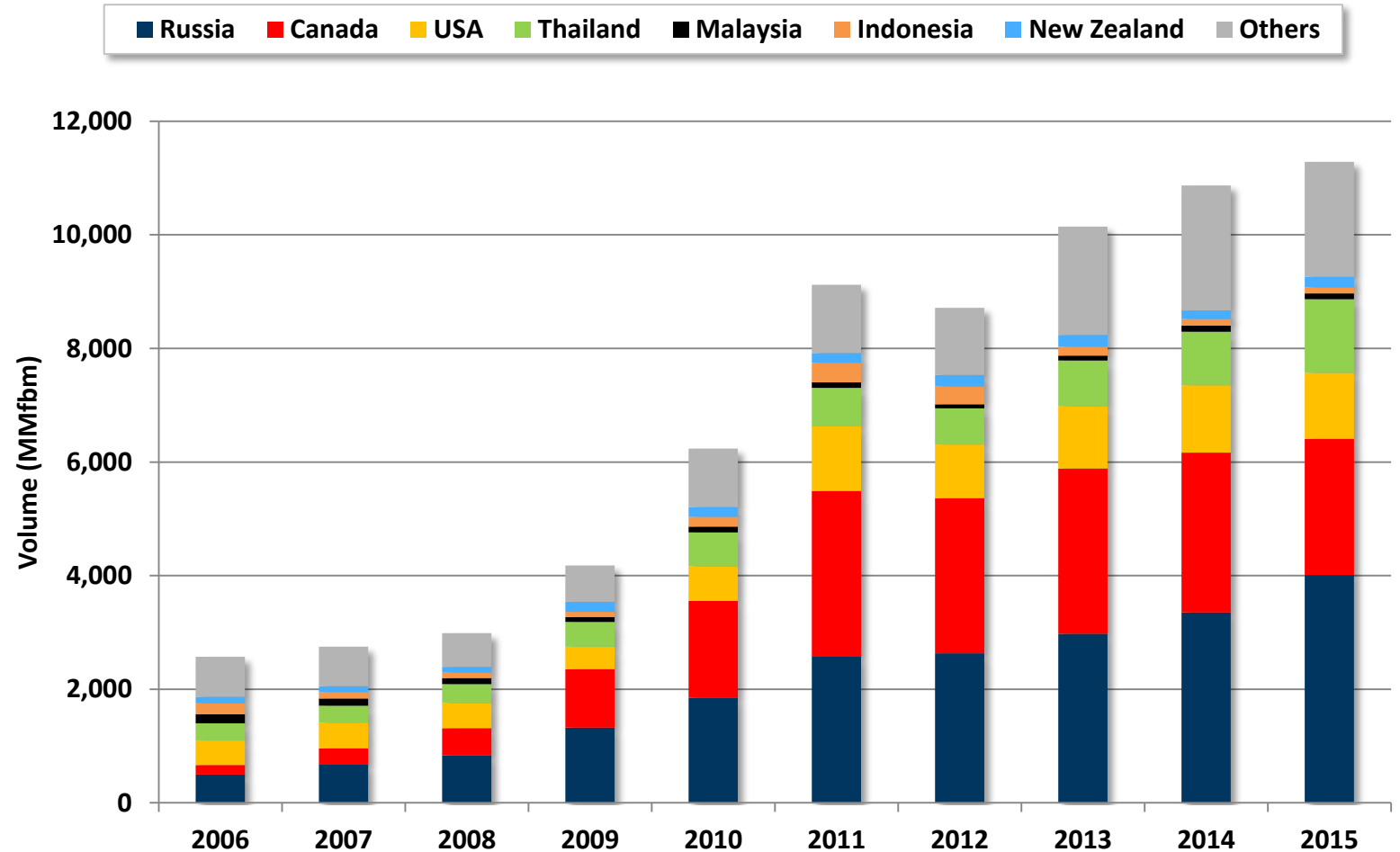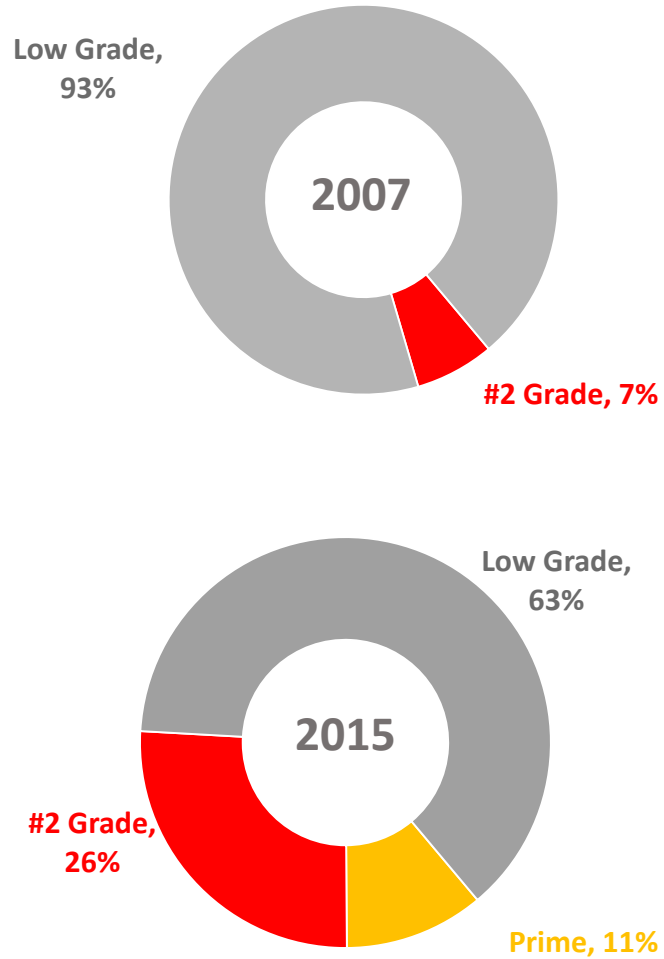
JAPAN

- Mature, high value market; strong cultural ties to wood construction

- Widespread recognition of environmental, health, seismic benefits of using wood

- Focused on importing high quality lumber

- Post & Beam construction is the traditional building method

- NA 2x4 construction has been adopted by large home builders

- Hybrid market inroads (in post and beam segment), including commercial and public buildings

Market Breakdown

■ 2x4 Housing ■ Post and Beam ■ Pre-Fabrication

3%
21%
76%

CANFOR
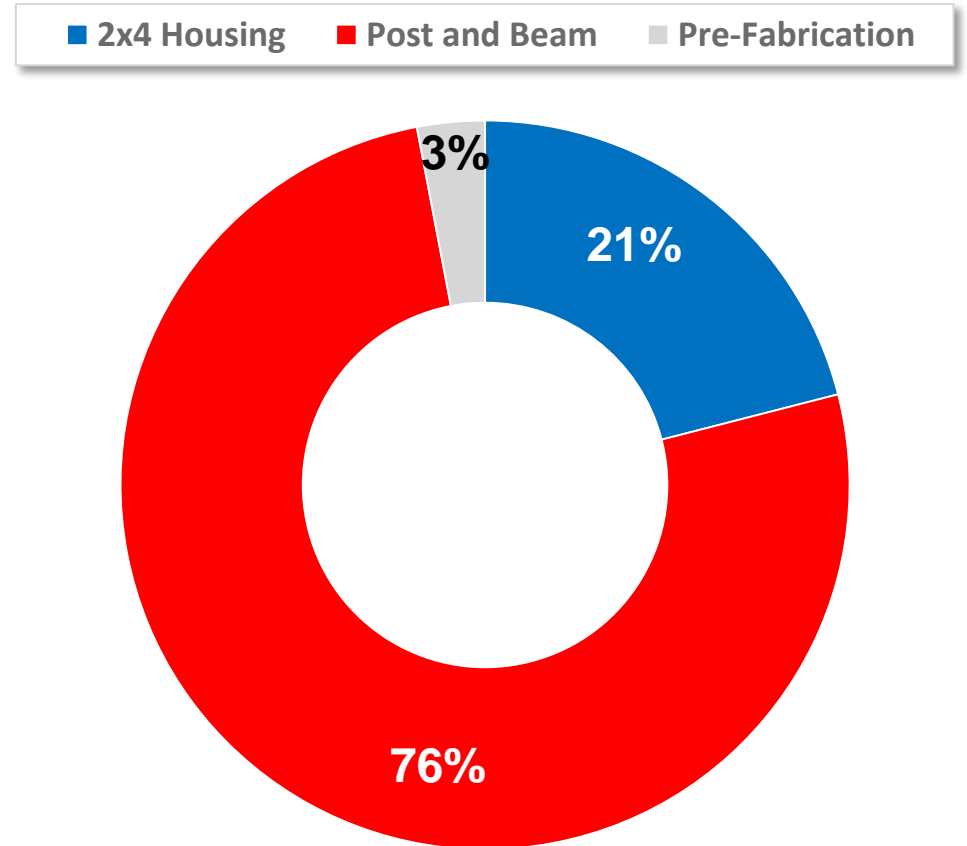
JAPAN – SPECIALTY PRODUCTS MARKET DIVERSIFICATION

Expanding product offering to targeted market segments

- DIY Retailers – Specialty boards and super J grade (1x4, 1x8, 1x10, 2x4, 2x6, 2x8, 2x10)
- Post & Beam Panels – Midply based panels for post & beam infill walls (2017 certification)
- Housing Components – Genban products as raw material for component manufacturers
- Mid-rise Construction – High strength Lamina (D Fir/Larch, SYP) as part of engineered wood component for CLT, beams, columns

BC Softwood Lumber Exports to Japan
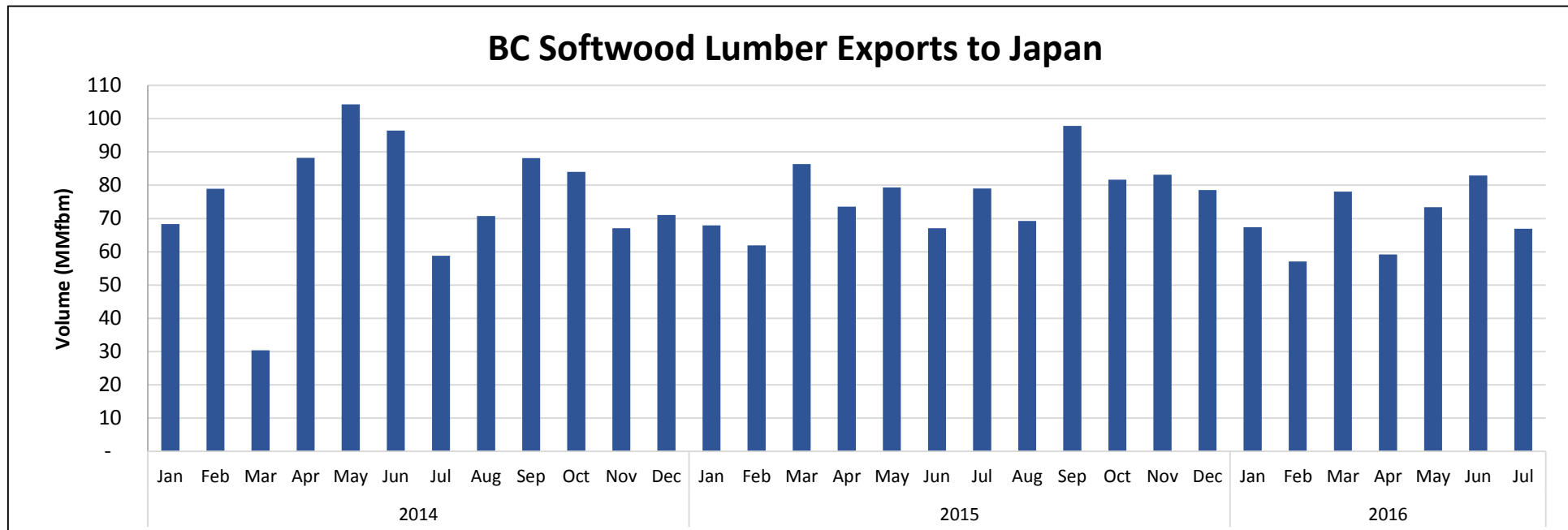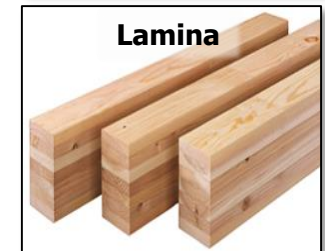
Source: Statistics Canada

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INDIA – NEXT EMERGING LUMBER MARKET

■ The ban on the illegal harvesting of hardwood in Southeast Asia has increased softwood consumption over the last few years

Percent of Total Supply

Legend: ■ % Hardwood ■ % Softwood

Chart data:

Year	% Hardwood	% Softwood
2013-14	71%	29%
2014-15	67%	33%
2015-16*	63%	37%

Source: FII

Canfor Southern Yellow Pine

Spruce-Pine-Fir

CANFOR
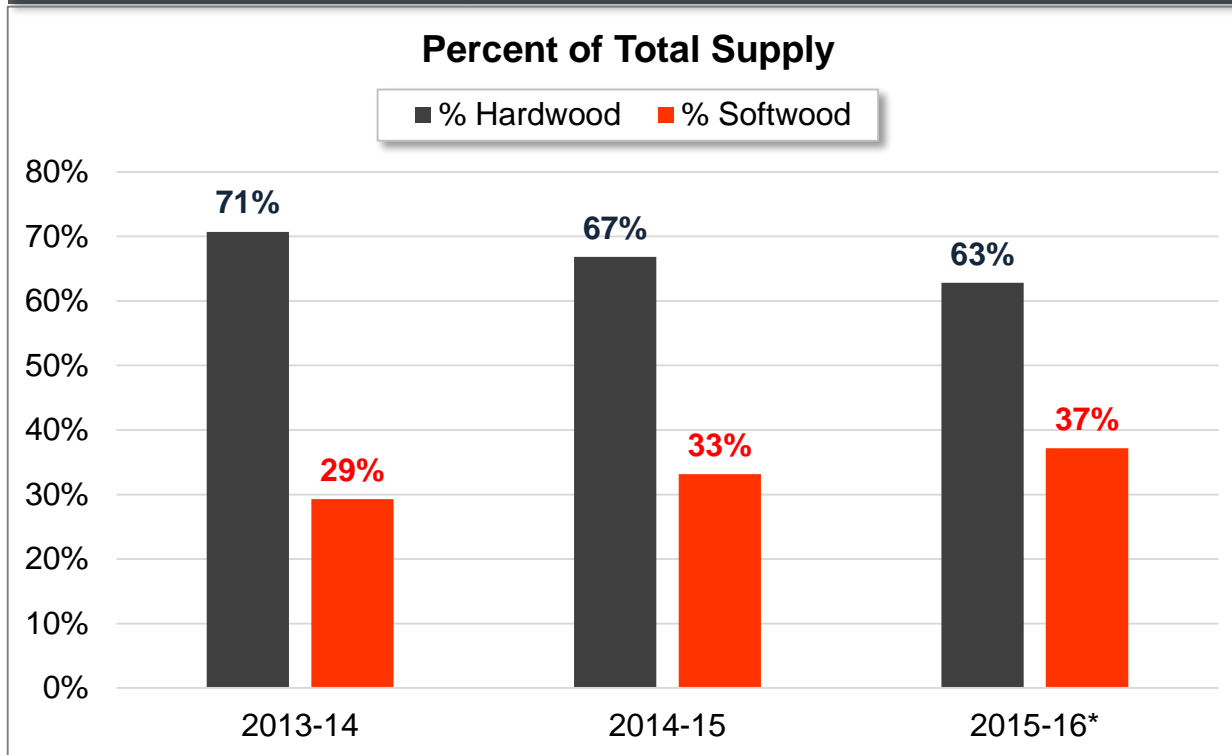
INDIA – IKEA RETAIL STORES SET TO OPEN IN 2017

- **Retail Stores**
  - First 2 stores in Delhi & Mumbai
  - Plans to open 25 retail stores by 2025, investment totaling over 1.5 billion euros

- **Production**
  - Sourcing from a cluster of local furniture production facilities in India to feed the growing demand from the middle class consumer segment
  - In 2015, IKEA sourced 315 million euros worth of goods from India (70% were textiles)

- **Opportunities**
  - Canfor had preliminary discussion with IKEA procurement team in India
  - IKEA is sourcing FSC raw materials (Pine, Aspen, Birch, Beech) to support the growing furniture demands in India

Delhi

IKEA

Mumbai

IKEA

🔴 Plans in place

Source: The Economic Times – India Times

CANFOR

GLOBAL SUPPLY – "A ZERO-SUM GAME"

Russia
26 | 29 | 30 | 31 | 32 | 32
2010 | 11 | 12 | 13 | 14 | 2015

Canada
38 | 37 | 39 | 41 | 42 | 44
2010 | 11 | 12 | 13 | 14 | 2015

Europe
94 | 95 | 92 | 93 | 96 | 96
2010 | 11 | 12 | 13 | 14 | 2015

United States
42 | 45 | 49 | 51 | 54 | 55
2010 | 11 | 12 | 13 | 14 | 2015

China
Asia
USA
C. America
USA
Japan
China
MENA

Softwood Lumber Production (million m³)

Trade Flow

CANFOR
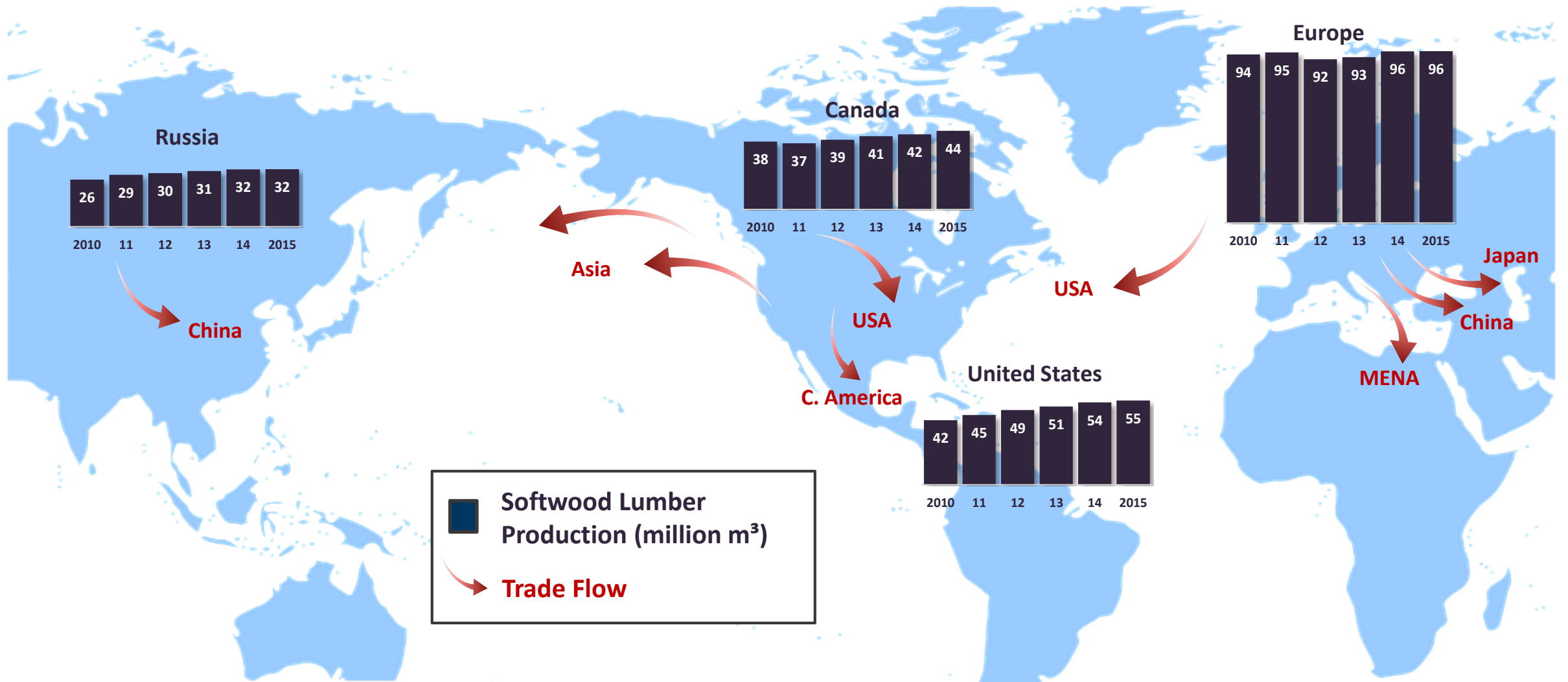
SUMMARY

- China lumber imports are up 19% July YTD vs 2015. Largest volume is from Russia, up 39%

- Canadian shipments to China down 10% July YTD vs 2015, primarily due to less low grade available, Russian competitiveness, and better alternative markets

- Excellent future opportunities exist for North American lumber products in offshore markets, particularly China and South East Asia

- The Softwood Lumber Agreement between Canada and the US will impact the "road map" for offshore market development

Thank You