

Canfor Corporation and Canfor Pulp Products Inc.
Quarter 1, 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
Q1 2013 Review: Items Impacting Earnings Comparability¹



(millions of dollars, except for per share amounts)	Q1 2013		Q4 2012	
	\$	\$/Share	\$	\$/Share
Net income attributable to equity shareholders of the Company	\$ 61.9	\$ 0.43	\$ 21.3	\$ 0.15
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Foreign exchange loss on long-term debt and investments, net	\$ 2.3	\$ 0.02	\$ 1.2	\$ 0.01
(Gain) loss on derivative financial instruments	\$ (2.2)	\$ (0.02)	\$ 6.5	\$ 0.04
Canfor's 50% interest in Canfor-LP OSB's income, net of tax ²	\$ 8.3	\$ 0.06	\$ -	\$ -
Net gain on post retirement and pension plan amendments	\$ -	\$ -	\$ (8.7)	\$ (0.06)
Net impact of above items	\$ 8.4	\$ 0.06	\$ (1.0)	\$ (0.01)
Shareholder net income, as adjusted	\$ 70.3	\$ 0.49	\$ 20.3	\$ 0.14

Note 1 - Certain prior period amounts have been restated due to the adoption of amended IAS 19, *Employee Benefits* and IFRS 11, *Joint Arrangements*. Further details can be found in the Company's unaudited interim consolidated financial statements.

Note 2 - Reported results for the first quarter of 2013 reflect the Company's intent to sell its 50% share in Canfor-LP OSB Limited Partnership ("Canfor-LP OSB") and related accounting thereof. In accordance with IFRS, the Company no longer recorded its share of Canfor-LP OSB's income subsequent to classification as held for sale on December 31, 2012. The impact on operating income and net income for the first quarter of 2013 was \$11.0 million and \$8.3 million, respectively, or \$0.06 per share.

Canfor Corporation Sales and Operating Earnings Summary¹



(millions of dollars unless otherwise noted)	Q1 2013	Q4 2012	Variance
Gross Sales	\$ 786.3	\$ 700.3	\$ 86.0
Operating income (loss) by segment:			
Lumber	\$ 88.4	\$ 42.5	\$ 45.9
Pulp and Paper	\$ 18.9	\$ 12.0	\$ 6.9
Unallocated and Other	\$ (7.3)	\$ (5.5)	\$ (1.8)
Total operating income, as reported	\$ 100.0	\$ 49.0	\$ 51.0
Included in above:			
Positive impact of inventory valuation adjustments	\$ -	\$ (0.4)	\$ 0.4
Operating income excluding inventory valuation adjustments	\$ 100.0	\$ 48.6	\$ 51.4
Average exchange rate (US\$ per C\$1.00)	\$ 0.991	\$ 1.009	\$ (0.018)
End of Period Exchange Rate (US\$ per C\$1.00)	\$ 0.985	\$ 1.005	\$ (0.020)

Operating income (loss) before amortization by segment:			
Lumber	\$ 115.7	\$ 69.1	\$ 46.6
Pulp and Paper	\$ 38.3	\$ 32.5	\$ 5.8
Unallocated and Other	\$ (7.1)	\$ (4.8)	\$ (2.3)
Total operating income excluding amortization	\$ 146.9	\$ 96.8	\$ 50.1

Note 1 - Certain prior period amounts have been restated due to the adoption of amended IAS 19, *Employee Benefits* and IFRS 11, *Joint Arrangements*. Further details can be found in the Company's unaudited interim consolidated financial statements.

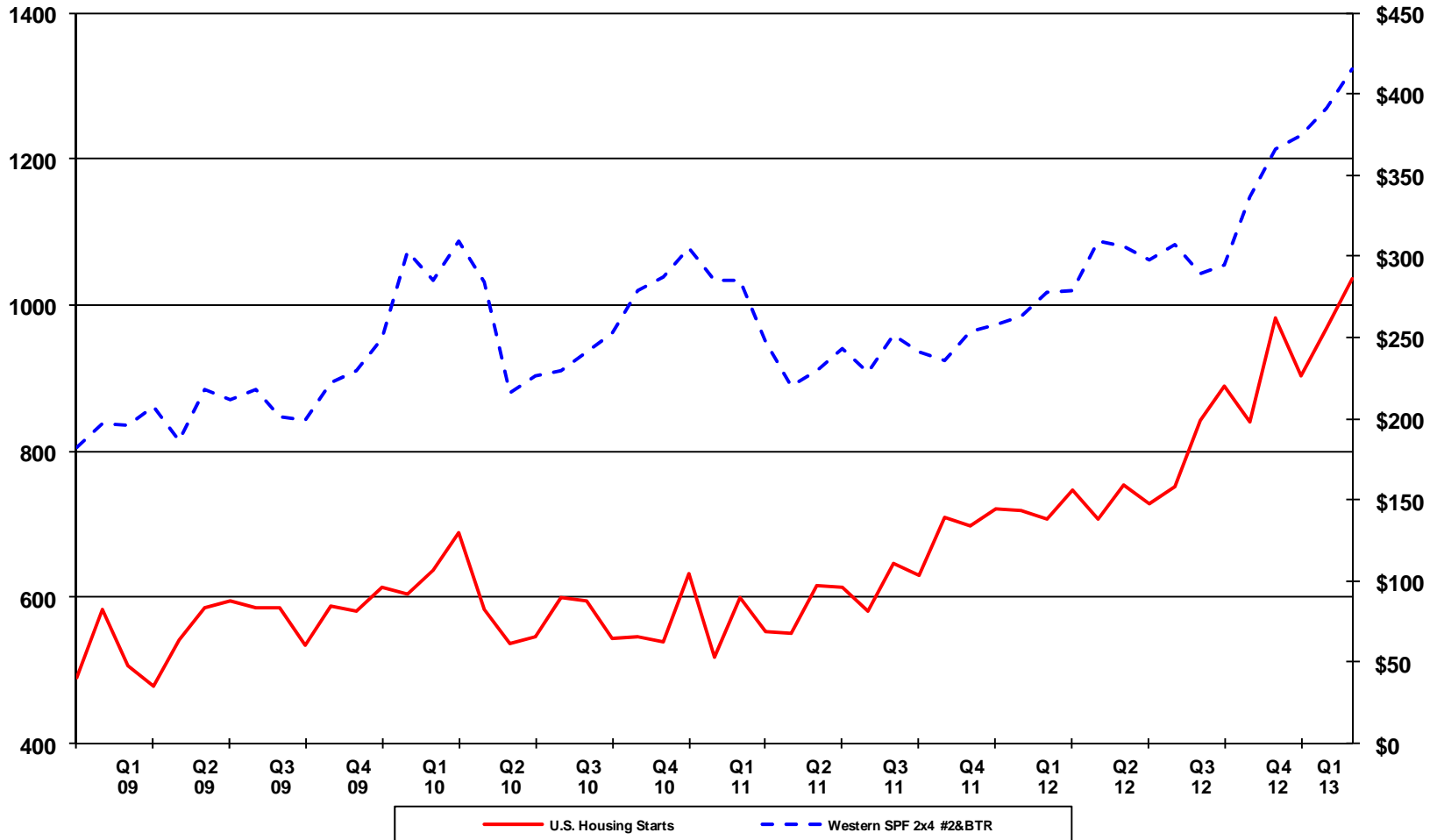
CDN\$ Lumber Prices and U.S. Housing Starts Comparison



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.

Canfor Corporation
Lumber: Q1 2013 vs. Q4 2012¹



	Q1 2013	Q4 2012	Variance
(millions of dollars unless otherwise noted)			
Sales	\$ 542.3	\$ 469.9	\$ 72.4
Operating income	\$ 88.4	\$ 42.5	\$ 45.9
Positive impact of inventory valuation adjustments	\$ -	\$ (0.4)	\$ 0.4
Operating income excl. impact of inventory valuation adjustments ("Adjusted operating income")	\$ 88.4	\$ 42.1	\$ 46.3
Adjusted operating income excluding amortization	\$ 115.7	\$ 68.7	\$ 47.0
Average SPF 2x4 #2&Btr price in CDN\$	\$ 395	\$ 332	\$ 63
Average SYP 2x4 #2 lumber price in US\$	\$ 452	\$ 386	\$ 66
Production - SPF lumber (MMfbm)	1,065	986	79
Production - SYP lumber (MMfbm)	135	122	13
Shipments - Canfor-produced SPF lumber (MMfbm)	1,004	1,008	(4)
Shipments - Canfor-produced SYP lumber (MMfbm)	123	134	(11)

Operating earnings improved \$46.3 million to \$88.4 million

- Strong gains in sales realizations for both Western SPF and SYP products, appreciating to highest levels in 8 years.
 - Benchmark Western SPF 2x4 #2&Btr up US\$56 per Mfbm (17%), most other dimensions and grades saw solid gains.
 - Offshore prices trending higher with record-highs to China.
 - 2% weaker Canadian dollar.
- Production up 8% (92.5 million board feet) with full quarter production at recently restarted Radium mill and improved productivity.
- Unit manufacturing costs in line with Q4: lower unit conversion costs (higher production) offset by higher log costs (market-related stumpage, hauling).
- Prior quarter results included \$6.8 million accounting net gain related to post retirement plan adjustments.

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Canfor Corporation
Pulp & Paper: Q1 2013 vs. Q4 2012¹



(millions of dollars unless otherwise noted)	Q1 2013	Q4 2012	Variance
Sales	\$ 243.5	\$ 228.4	\$ 15.1
Operating income	\$ 18.9	\$ 12.0	\$ 6.9
Operating income before amortization	\$ 38.3	\$ 32.5	\$ 5.8
Average NBSK pulp list price delivered to U.S. - US\$	\$ 897	\$ 863	\$ 34
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 905	\$ 855	\$ 50
Production - Pulp (000 mt)	317	314	3
Shipments - Pulp (000 mt)	308	298	10

Note 1 - Certain prior period amounts have been restated due to the adoption of amended IAS 19, *Employee Benefits*. Further details can be found in the Company's unaudited interim consolidated financial statements.

Canfor Pulp Products Inc. Sales and Operating Earnings Summary¹



(millions of dollars unless otherwise noted)	Q1 2013	Q4 2012	Variance
Gross Sales	\$ 217.5	\$ 201.9	\$ 15.6
Operating income (loss) by segment:			
Pulp	\$ 15.4	\$ 7.8	\$ 7.6
Paper	\$ 5.9	\$ 7.0	\$ (1.1)
Unallocated	\$ (2.3)	\$ (2.7)	\$ 0.4
Total operating income, as reported	\$ 19.0	\$ 12.1	\$ 6.9
Included in above:			
Gain on post retirement plan amendments	\$ -	\$ (5.3)	\$ 5.3
Investment tax credit	\$ (1.5)	\$ -	\$ (1.5)
Total operating income excluding one-time adjustments	\$ 17.5	\$ 6.8	\$ 10.7
Net income	\$ 10.9	\$ 5.4	\$ 5.5
Average exchange rate (US\$ per C\$1.00)	\$ 0.991	\$ 1.009	\$ (0.018)
End of Period Exchange Rate (US\$ per C\$1.00)	\$ 0.985	\$ 1.005	\$ (0.020)

Operating income (loss) before amortization by segment:			
Pulp	\$ 33.3	\$ 26.8	\$ 6.5
Paper	\$ 6.9	\$ 8.0	\$ (1.1)
Unallocated	\$ (2.3)	\$ (2.7)	\$ 0.4
Total operating income before amortization	\$ 37.9	\$ 32.1	\$ 5.8

Note 1 - Certain prior period amounts have been restated due to the adoption of amended IAS 19, *Employee Benefits*. Further details can be found in the Company's unaudited interim consolidated financial statements.



(millions of dollars unless otherwise noted)	Q1 2013	Q4 2012	Variance
Sales	\$ 180.4	\$ 168.2	\$ 12.2
Operating income before amortization	\$ 33.3	\$ 26.8	\$ 6.5
Operating income	\$ 15.4	\$ 7.8	\$ 7.6
Average NBSK pulp list price delivered to U.S. - US\$	\$ 897	\$ 863	\$ 34
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 905	\$ 855	\$ 50
Production - Pulp (000 mt)	265	261	4
Shipments - Pulp (000 mt)	258	247	11

Operating income up \$7.6 million to \$15.4 million from \$7.8 million

- Modest improvement in NBSK list prices to all regions; average North American NBSK prices up US\$34 per tonne; prices to other major regions saw lower gains.
 - Pulp sales realizations not matching the full list price increases due to increased volume into lower margin regions (China).
 - 2% weaker Canadian dollar.
- Shipments up 5% reflecting higher production and sales volume to China.
- Lower unit manufacturing costs with lower maintenance costs and higher production, partially offset by higher fibre costs and energy costs.
- One-time costs in Q1 included \$1.5 million non-cash benefit from scientific research and development tax credits while Q4 included a \$4.4 million gain related to post retirement plan adjustments.

Note 1 - Certain prior period amounts have been restated due to the adoption of amended IAS 19, *Employee Benefits*. Further details can be found in the Company's unaudited interim consolidated financial statements.



(millions of dollars unless otherwise noted)	Q1 2013	Q4 2012	Variance
Sales	\$ 36.1	\$ 33.7	\$ 2.4
Operating income before amortization	\$ 6.9	\$ 8.0	\$ (1.1)
Operating income	\$ 5.9	\$ 7.0	\$ (1.1)
Production - Paper (000 mt)	35	35	-
Shipments - Paper (000 mt)	35	32	3

Operating income down \$1.1 million to \$5.9 million

- Unit sales realizations down slightly in part reflecting a lower-value sales mix; 2% weaker Canadian dollar.
- Shipments up 3%.
- Unit manufacturing costs up 3% due to higher costs for slush pulp partially offset by reduction in maintenance costs.

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