

Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 4, 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 and Management's Discussion & Analysis for the three and twelve months ended December 31, 2014.

Canfor Corporation  
 Q4 2014 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q4 2014		Q3 2014	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 29.9	\$ 0.22	\$ 45.5	\$ 0.34
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Loss on derivative financial instruments	\$ 5.2	\$ 0.04	\$ 0.7	\$ -
Mark-to-market adjustment to Canfor-LP OSB sale contingent consideration	\$ -	\$ -	\$ 4.5	\$ 0.04
Net impact of above items	\$ 5.2	\$ 0.04	\$ 5.2	\$ 0.04
Shareholder net income, as adjusted	\$ 35.1	\$ 0.26	\$ 50.7	\$ 0.38

## Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q4 2014	Q3 2014	Variance
Gross Sales	\$ 860.4	\$ 838.0	\$ 22.4
Operating income (loss) by segment:			
Lumber	\$ 40.6	\$ 59.6	\$ (19.0)
Pulp and Paper	\$ 29.4	\$ 33.1	\$ (3.7)
Unallocated and Other	\$ (8.0)	\$ (7.1)	\$ (0.9)
<b>Total operating income, as reported</b>	<b>\$ 62.0</b>	<b>\$ 85.6</b>	<b>\$ (23.6)</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.881	\$ 0.918	\$ (0.037)
Operating income (loss) before amortization			
Lumber	\$ 70.6	\$ 88.7	\$ (18.1)
Pulp and Paper	\$ 45.0	\$ 49.9	\$ (4.9)
Unallocated and Other	\$ (6.7)	\$ (5.9)	\$ (0.8)
<b>Total operating income before amortization</b>	<b>\$ 108.9</b>	<b>\$ 132.7</b>	<b>\$ (23.8)</b>



(millions of dollars unless otherwise noted)	Q4 2014	Q3 2014	Variance
Sales	\$ 564.4	\$ 570.5	\$ (6.1)
Operating income before amortization	\$ 70.6	\$ 88.7	\$ (18.1)
Operating income	\$ 40.6	\$ 59.6	\$ (19.0)
Average SPF 2x4 #2&Btr price in CDN\$	\$ 386	\$ 389	\$ (3)
Average SYP 2x4 #2 lumber price in US\$	\$ 427	\$ 438	\$ (11)
Production - SPF lumber (MMfbm)	893	926	(33)
Production - SYP lumber (MMfbm)	142	150	(8)
Shipments - Canfor-produced SPF lumber (MMfbm)	938	956	(18)
Shipments - Canfor-produced SYP lumber (MMfbm)	151	162	(11)

### Operating earnings down \$19.0 million to \$40.6 million

- Total shipments down 29 million board feet, or 3%, reflecting lower lumber production
- Sales realizations up slightly compared to Q3
  - Impact of 4 cent or 4% weaker Canadian dollar partly offset by Western SPF #2&Btr price decrease of US\$17/Mfbm, or 5%, with less pronounced declines in lower grade products
  - SYP 2x4 #2 price down US\$11/Mfbm, or 3%, from Q3 with more marked decreases in certain wide dimension products
- Total lumber production down 4% compared to Q3, largely reflecting additional statutory holidays in Q4 and, to a lesser degree, downtime at the US South operations for capital upgrades
- Unit manufacturing costs up from Q3, reflecting higher Western SPF log costs (including longer hauling distances, higher purchased wood costs) and increased cash conversion costs (seasonally higher maintenance activity and energy usage)

Canfor Pulp Products Inc.  
Q4 2014 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q4 2014		Q3 2014	
	\$	\$/Share	\$	\$/Share
Net income, as reported	\$ 20.7	\$ 0.29	\$ 24.3	\$ 0.34
Non-operating / unusual items (after-tax)				
Loss on derivative financial instruments	\$ 0.6	\$ 0.01	\$ 0.2	\$ -
Net income, as adjusted	\$ 21.3	\$ 0.30	\$ 24.5	\$ 0.34

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



(millions of dollars unless otherwise noted)	Q4 2014	Q3 2014	Variance
<b>Gross Sales</b>	\$ 264.0	\$ 237.6	\$ 26.4
Operating income (loss) by segment:			
Pulp	\$ 23.7	\$ 27.5	\$ (3.8)
Paper	\$ 7.2	\$ 6.5	\$ 0.7
Unallocated	\$ (2.9)	\$ (2.6)	\$ (0.3)
<b>Total operating income</b>	\$ 28.0	\$ 31.4	\$ (3.4)
<b>Net income, as reported</b>	\$ 20.7	\$ 24.3	\$ (3.6)
Operating income (loss) before amortization by segment:			
Pulp	\$ 38.0	\$ 42.9	\$ (4.9)
Paper	\$ 8.0	\$ 7.4	\$ 0.6
Unallocated	\$ (2.8)	\$ (2.6)	\$ (0.2)
<b>Total operating income before amortization</b>	\$ 43.2	\$ 47.7	\$ (4.5)
Average NBSK pulp list price delivered to U.S. - US\$	\$ 1,025	\$ 1,030	\$ (5)
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 1,164	\$ 1,122	\$ 42
Production - Pulp (000 mt)	241	248	(7)
Shipments - Pulp (000 mt)	259	241	18

### Pulp operating income down \$3.8 million to \$23.7 million

- Pulp shipments up 8% reflecting increased shipments to Asia, solid demand in most other regions in Q4
- Pulp sales realizations up modestly vs. Q3 reflecting the favourable impact of 4% weaker Canadian dollar and improved customer mix
- Pulp production down 3% due to scheduled maintenance outage at the Northwood Pulp Mill (17,000 tonnes) offset somewhat by improved operating rates vs. Q3
- Unit manufacturing costs up moderately reflecting costs and volume impacts of the Northwood scheduled maintenance outage and higher energy usage

### Paper operating income up \$0.7 million to \$7.2 million

- Increased unit sales realizations reflecting weaker Canadian dollar
- Unit manufacturing costs higher in Q4 reflecting higher slush pulp costs and timing of maintenance supplies spending