

**Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 3, 2017  
Financial Performance Overview**



Presented by:

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- 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, 2016 and Management's Discussion & Analysis for the nine months ended September 30, 2017.

**Canfor Corporation**  
**Q3 2017 Review: Items Impacting Earnings Comparability**



(millions of dollars, except for per share amounts)	Q3 2017		Q2 2017	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 66.2	\$ 0.51	\$ 81.3	\$ 0.61
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Countervailing and anti-dumping duty deposits	\$ 23.5	\$ 0.18	\$ 25.8	\$ 0.19
Loss on derivative financial instruments	\$ 1.4	\$ 0.01	\$ -	\$ -
Mill closure provision recovery	\$ (2.4)	\$ (0.02)	\$ -	\$ -
Foreign exchange gain on long-term debt	\$ (4.4)	\$ (0.03)	\$ (2.9)	\$ (0.02)
Net impact of above items	\$ 18.1	\$ 0.14	\$ 22.9	\$ 0.17
Shareholder net income, as adjusted	\$ 84.3	\$ 0.65	\$ 104.2	\$ 0.78

# Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q3 2017	Q2 2017	Variance
Gross Sales	\$ 1,165.2	\$ 1,185.2	\$ (20.0)
Reported Operating income (loss) by segment:			
Lumber	\$ 92.9	\$ 110.4	\$ (17.5)
Pulp and Paper	\$ 21.1	\$ 31.5	\$ (10.4)
Unallocated and Other	\$ (8.6)	\$ (10.9)	\$ 2.3
<b>Total operating income, as reported</b>	<b>\$ 105.4</b>	<b>\$ 131.0</b>	<b>\$ (25.6)</b>
<b>Total operating income, as adjusted</b>	<b>\$ 133.9</b>	<b>\$ 165.8</b>	<b>\$ (31.9)</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.798	\$ 0.744	\$ 0.054

Reported operating income (loss) before amortization			
Lumber	\$ 136.1	\$ 154.0	\$ (17.9)
Pulp and Paper	\$ 39.4	\$ 50.0	\$ (10.6)
Unallocated and Other	\$ (8.6)	\$ (10.9)	\$ 2.3
<b>Total operating income before amortization, as reported</b>	<b>\$ 166.9</b>	<b>\$ 193.1</b>	<b>\$ (26.2)</b>
<b>Total operating income before amortization, as adjusted</b>	<b>\$ 195.4</b>	<b>\$ 227.9</b>	<b>\$ (32.5)</b>

**Canfor Corporation**  
**Lumber: Q3 2017 vs. Q2 2017**



(millions of dollars unless otherwise noted)	Q3 2017	Q2 2017	Variance
Sales	\$ 880.4	\$ 904.3	\$ (23.9)
Operating income before amortization, as reported	\$ 136.1	\$ 154.0	\$ (17.9)
Operating income, as reported	\$ 92.9	\$ 110.4	\$ (17.5)
Operating income, as adjusted	\$ 121.4	\$ 145.2	\$ (23.8)
Average SPF 2x4 #2&Btr lumber price in CDN\$	\$ 509	\$ 521	\$ (12)
Average SYP East 2x4 #2 lumber price in US\$	\$ 408	\$ 476	\$ (68)
Production - SPF lumber (MMfbm)	953	952	1
Production - SYP lumber (MMfbm)	355	358	(3)
Shipments - Canfor-produced SPF lumber (MMfbm)	994	1,002	(8)
Shipments - Canfor-produced SYP lumber (MMfbm)	373	353	20

**Reported operating income down \$17.5 million to \$92.9 million in Q3**

- **WSPF sales realizations in line with previous quarter; SYP sales realizations moderately lower than previous quarter**
  - WSPF sales realizations – Significantly higher US-dollar WSPF lumber prices and slightly lower duties offsetting impact of 7% stronger Canadian dollar
  - SYP sales realizations – SYP East 2x4 #2 price down US\$68/Mfbm with similar declines in 2x8 and 2x12 dimensions, partially offset by strong pricing for higher-value products, stable pricing in 2x6 and 2x10 dimensions
- **Lumber shipments in line with prior quarter** - SYP shipments modestly higher reflecting improved demand later in quarter, WSPF shipments down slightly, with comparative period reflecting release of inventory following severe winter weather earlier in 2017
- **Lumber production in line with prior quarter** - higher productivity in US South offsetting fewer operating hours resulting from weather-related disruptions, more statutory holidays in current quarter
- **Unit manufacturing costs in line with prior quarter** – seasonally lower energy costs in Western Canada, stable log costs in US South offsetting higher purchased wood, log hauling costs in Western Canada

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



(millions of dollars unless otherwise noted)	Q3 2017	Q2 2017	Variance
<b>Gross Sales</b>	\$ 284.8	\$ 280.9	\$ 3.9
Operating income (loss) by segment:			
Pulp	\$ 19.0	\$ 28.0	\$ (9.0)
Paper	\$ 4.9	\$ 6.6	\$ (1.7)
Unallocated	\$ (2.8)	\$ (3.1)	\$ 0.3
<b>Total operating income</b>	\$ 21.1	\$ 31.5	\$ (10.4)
<b>Net income, as reported</b>	\$ 12.6	\$ 20.2	\$ (7.6)
Operating income (loss) before amortization by segment:			
Pulp	\$ 36.3	\$ 45.5	\$ (9.2)
Paper	\$ 5.9	\$ 7.6	\$ (1.7)
Unallocated	\$ (2.8)	\$ (3.1)	\$ 0.3
<b>Total operating income before amortization</b>	\$ 39.4	\$ 50.0	\$ (10.6)
Average NBSK pulp list price delivered to China - US\$	\$ 670	\$ 670	\$ -
Average NBSK pulp list price delivered to China - CDN\$	\$ 839	\$ 901	\$ (62)
Production - Pulp (000 mt)	305	275	30
Shipments - Pulp (000 mt)	303	276	27

### Pulp operating income down \$9.0 million to \$19.0 million in Q3

- **Moderate decrease in NBSK sales realizations:** 7% stronger Canadian dollar more than offsetting positive price momentum towards end of quarter
- **Shipments up 10%** reflecting increased production (less scheduled maintenance outages), partially offset by slippage of 14,000 tonne vessel into Oct.
- **Modest decrease in unit manufacturing costs** reflecting fewer scheduled outages and seasonally lower energy prices and usage, offset in part by higher fibre costs
- **Higher energy revenues** reflecting more normalized turbine operating days combined with higher energy prices

### Paper operating income down \$1.7 million to \$4.9 million in Q3

- Stronger Canadian dollar offsetting benefit of improved US dollar pricing and lower slush pulp costs