

Quarter 2, 2012  
Financial Performance Overview



Presented by:

Alan Nicholl - Senior Vice President, Finance & CFO

## 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 Annual Report for the year ended December 31, 2011.

## Q2 2012 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q2 2012		Q1 2012	
	\$	\$/Share	\$	\$/Share
Net income (loss) attributable to equity shareholders of the Company	\$ 4.5	\$ 0.03	\$ (16.2)	\$ (0.11)
Non-operating / unusual items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on long-term debt and investments, net	\$ 2.4	\$ 0.02	\$ (2.7)	\$ (0.02)
(Gain) loss on derivative financial instruments	\$ 4.2	\$ 0.03	\$ (5.1)	\$ (0.04)
Increase in fair value of asset-backed commercial paper	\$ -	\$ -	\$ (1.1)	\$ (0.01)
Costs related to Tembec acquisition	\$ -	\$ -	\$ 2.8	\$ 0.02
Net impact of above items	\$ 6.6	\$ 0.05	\$ (6.1)	\$ (0.05)
Shareholder net income (loss), as adjusted	\$ 11.1	\$ 0.08	\$ (22.3)	\$ (0.16)

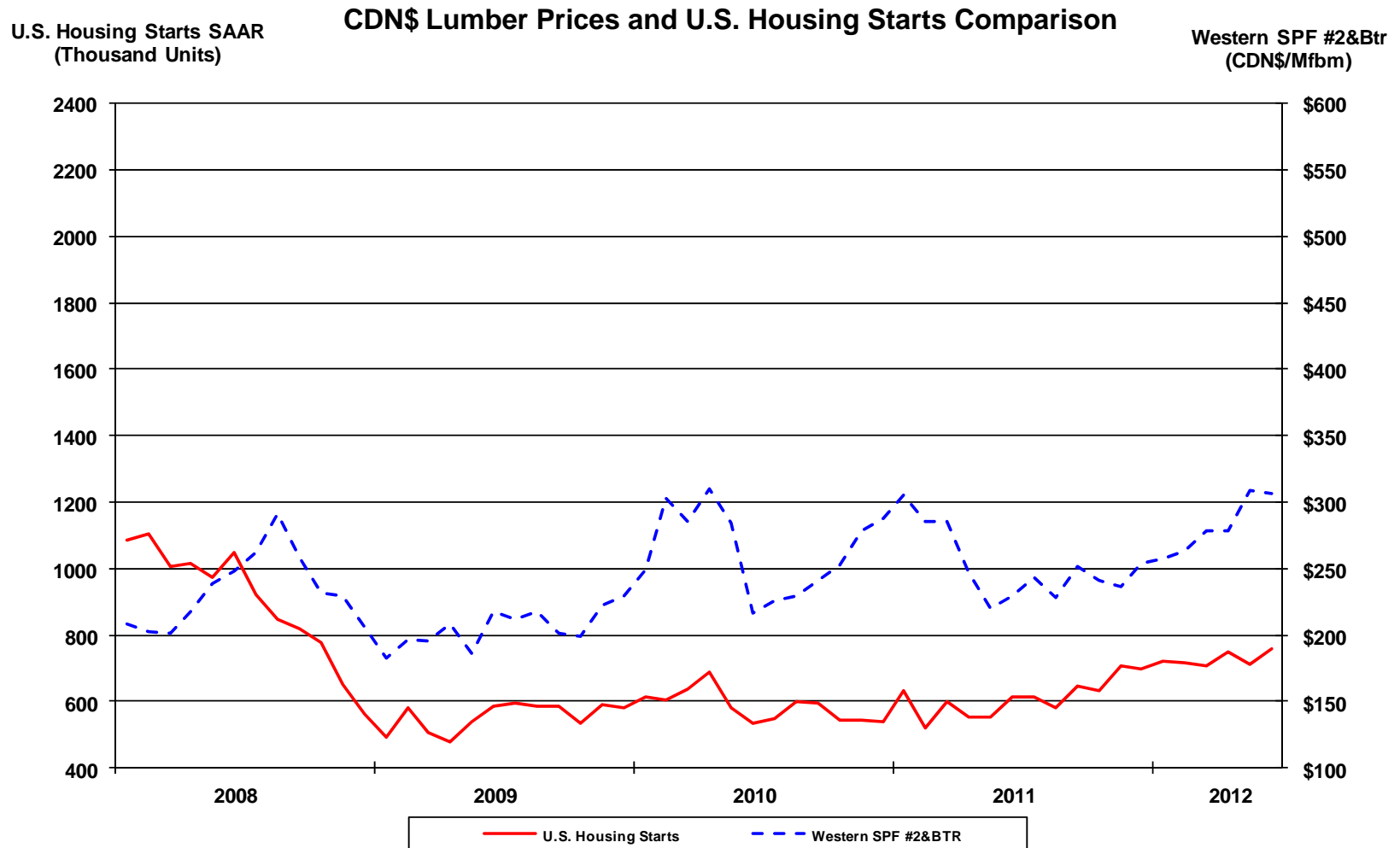
## Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q2 2012	Q1 2012	Variance
Gross Sales	\$ 700.9	\$ 607.6	\$ 93.3
Operating income (loss) by segment:			
Lumber	\$ 18.9	\$ (20.1)	\$ 39.0
Pulp & Paper	\$ 11.7	\$ 11.3	\$ 0.4
Unallocated and other	\$ (4.6)	\$ (12.7)	\$ 8.1
<b>Total operating income (loss), as reported</b>	<b>\$ 26.0</b>	<b>\$ (21.5)</b>	<b>\$ 47.5</b>
Included in above:			
Negative (positive) impact of inventory valuation adjustments	\$ (6.6)	\$ (8.5)	\$ 1.9
Costs related to Tembec acquisition	\$ -	\$ 3.8	\$ (3.8)
<b>Operating income (loss) excluding inventory valuation adjustments and unusual items</b>	<b>\$ 19.4</b>	<b>\$ (26.2)</b>	<b>\$ 45.6</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.990	\$ 0.999	\$ (0.009)
End of Period Exchange Rate (US\$ per C\$1.00)	\$ 0.981	\$ 1.001	\$ (0.020)

Operating income (loss) excluding amortization by segment:			
Lumber	\$ 45.4	\$ 3.1	\$ 42.3
Pulp & Paper	\$ 26.8	\$ 29.0	\$ (2.2)
Unallocated and other	\$ (0.2)	\$ (8.5)	\$ 8.3
<b>Total operating income (loss) excluding amortization</b>	<b>\$ 72.0</b>	<b>\$ 23.6</b>	<b>\$ 48.4</b>

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



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.

## Lumber: Q2 2012 vs. Q1 2012



(millions of dollars unless otherwise noted)	Q2 2012	Q1 2012	Variance
Sales	\$ 443.5	\$ 343.7	\$ 99.8
<b>Operating income (loss)</b>	\$ 18.9	\$ (20.1)	\$ 39.0
Positive impact of inventory valuation adjustments	\$ (2.9)	\$ (10.2)	\$ 7.3
Costs related to Tembec acquisition	\$ -	\$ 2.5	\$ (2.5)
<b>Operating income (loss) excl. impact of inventory valuation adjustments, unusual items ("Adj. operating income (loss)")</b>	\$ 16.0	\$ (27.8)	\$ 43.8
<b>Adjusted operating income (loss) excluding amortization</b>	\$ 42.5	\$ (4.6)	\$ 47.1
Average SPF 2x4 #2&Btr price in CDN\$	\$ 298	\$ 266	\$ 32
Average SYP 2x4 #2 lumber price in US\$	\$ 325	\$ 298	\$ 27
Production - SPF lumber (MMfbm)	994	904	90
Production - SYP lumber (MMfbm)	124	114	10
Shipments - Canfor-produced SPF lumber (MMfbm)	1,008	852	156
Shipments - Canfor-produced SYP lumber (MMfbm)	135	118	17

### Operating earnings improved \$43.8 million to \$16.0 million (before inventory valuation adjustments and unusual items)

- Improved sales realizations for both North American and offshore markets.
  - Benchmark WSPF 2x4 #2&Btr price up \$32, similar increases for other grades and widths.
- Shipments up 16%, reflecting recently acquired sawmills, as well as productivity improvements.
- Unit manufacturing costs in line with Q1.

## Pulp & Paper: Q2 2012 vs. Q1 2012



(millions of dollars unless otherwise noted)	Q2 2012	Q1 2012	Variance
Sales	\$ 239.4	\$ 249.4	\$ (10.0)
<b>Operating income</b>	<b>\$ 11.7</b>	\$ 11.3	\$ 0.4
Amortization	\$ 15.1	\$ 17.7	\$ (2.6)
<b>Operating income before amortization</b>	<b>\$ 26.8</b>	\$ 29.0	\$ (2.2)
Average NBSK pulp list price delivered to U.S. - US\$	\$ 900	\$ 870	\$ 30
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 909	\$ 871	\$ 38
Production - Pulp (000 mt)	263	316	(53)
Shipments - Pulp (000 mt)	282	328	(46)

### Operating income up \$0.4 million to \$11.7 million

- Average NBSK pulp price for U.S. delivery up 3% to US\$900/tonne.
  - Balanced markets heading into Q2, but softened as quarter progressed.
- Results significantly impacted by scheduled maintenance outages and an unscheduled shutdown at Northwood pulp mill
  - Lower shipment and production levels, higher unit manufacturing costs.