

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 1, 2019
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, 2018.

Canfor Corporation
Q1 2019 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q1 2019		Q4 2018	
	\$	\$/Share	\$	\$/Share
Shareholder net loss, as reported	\$ (89.5)	\$ (0.71)	\$ (52.4)	\$ (0.42)
Non-operating items (after-tax, net of non-controlling interests)				
Countervailing and anti-dumping duty deposit expense, net	\$ 26.5	\$ 0.21	\$ 28.8	\$ 0.22
Foreign exchange loss on long-term debt and duty deposits recoverable	\$ 0.8	\$ 0.01	\$ 2.1	\$ 0.02
(Gain) Loss on derivative financial instruments	\$ 25.4	\$ 0.20	\$ (6.5)	\$ (0.05)
Net impact of above items	\$ 52.7	\$ 0.42	\$ 24.4	\$ 0.19
Shareholder net loss, as adjusted	\$ (36.8)	\$ (0.29)	\$ (28.0)	\$ (0.23)

Canfor Corporation

Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q1 2019	Q4 2018	Variance
Gross sales	\$ 1,148.7	\$ 1,028.1	\$ 120.6
Reported operating income (loss) by segment:			
Lumber	\$ (78.0)	\$ (87.7)	\$ 9.7
Pulp and Paper	\$ 18.1	\$ 15.6	\$ 2.5
Unallocated and Other	\$ (10.0)	\$ (7.0)	\$ (3.0)
Total operating loss, as reported	\$ (69.9)	\$ (79.1)	\$ 9.2
Countervailing and anti-dumping duties, net	\$ 36.3	\$ 39.9	\$ (3.6)
Inventory write-downs	\$ 38.6	\$ 36.7	\$ 1.9
Total operating income (loss), as adjusted	\$ 5.0	\$ (2.5)	\$ 7.5
Average exchange rate (US\$ per C\$1.00)	\$ 0.752	\$ 0.758	\$ (0.006)

Reported operating income (loss) before amortization			
Lumber	\$ (14.0)	\$ (38.2)	\$ 24.2
Pulp and Paper	\$ 40.4	\$ 36.1	\$ 4.3
Unallocated and Other	\$ (9.8)	\$ (7.0)	\$ (2.8)
Total operating income (loss) before amortization, as reported	\$ 16.6	\$ (9.1)	\$ 25.7
Countervailing and anti-dumping duties, net	\$ 36.3	\$ 39.9	\$ (3.6)
Inventory write-downs	\$ 38.6	\$ 36.7	\$ 1.9
Total operating income before amortization, as adjusted	\$ 91.5	\$ 67.5	\$ 24.0

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



Effective Duties by Quarter:	Q1 2019	Q4 2018	Variance
Cash Deposits Paid ¹	\$ 33.2	\$ 29.7	\$ 3.5
Incremental Duty Expense, attributable to current quarter ²	\$ 7.4	\$ (5.5)	\$ 12.9
Effective Duty Expense, net, for the current quarter³	\$ 40.6	\$ 24.2	\$ 16.4
Duty Expense (Recovery), net, attributable to first period of administrative review ⁴	\$ (4.3)	\$ 15.7	\$ (20.0)
Duty Expense, net, as reported	\$ 36.3	\$ 39.9	\$ (3.6)

¹ Combined CVD and ADD deposit rate of 20.52%

² Q1 2019 expense reflects ADD accrual rate of 13.00%

³ Q1 2019 combined CVD and ADD rate of 26.24%; Q4 2018 16.14%

⁴ Q1 2019 recovery reflects decrease in ADD accrual rate from 2.9% at Q4 2018 to 2.6%

Canfor Corporation Lumber: Q1 2019 vs. Q4 2018



(millions of dollars unless otherwise noted)	Q1 2019	Q4 2018	Variance
Sales	\$ 844.7	\$ 738.4	\$ 106.3
Operating loss before amortization, as reported	\$ (14.0)	\$ (38.2)	\$ 24.2
Operating loss, as reported	\$ (78.0)	\$ (87.7)	\$ 9.7
Operating loss, as adjusted	\$ (3.1)	\$ (11.1)	\$ 8.0
Average WSPF 2x4 #2&Btr lumber price in CDN\$	\$ 495	\$ 432	\$ 63
Average SYP East 2x4 #2 lumber price in US\$	\$ 416	\$ 457	\$ (41)
Average European indicative SPF lumber price in SEK ⁵	4,111	4,235	(124)
Production - WSPF lumber (MMfbm)	796	793	3
Production - SYP lumber (MMfbm)	365	334	31
Production - EUR SPF lumber (MMfbm)	91	-	91
Shipments - Canfor-produced WSPF lumber (MMfbm)	743	783	(40)
Shipments - Canfor-produced SYP lumber (MMfbm)	352	331	21
Shipments - Canfor-produced EUR SPF lumber (MMfbm)	95	-	95

Adjusted operating loss of \$3 million, up \$8 million from Q4

- Reported Q1 results include net duty expense of \$36 million at effective rate of 26.24% (Q4 – net duty expense of \$40 million at 16.14%), additional inventory write-down of \$39 million (Q4 – write-down of \$37 million) and one month of fully consolidated Vida earnings following the February 28, 2019 acquisition.
- Slightly higher Western SPF sales realizations; SYP in line with prior quarter** – Average lumber prices edged upwards in the quarter partly in response to industry-wide production curtailments; challenging weather conditions mid-quarter delayed the usual pickup of demand from the spring building season; offshore lumber demand and unit sales realizations down due to high inventories in the supply chain.
- Lumber shipments and production up 7% and 11%, respectively** – Reflecting improved productivity, increased operating hours in the US South, and the incremental addition of the European SPF lumber operations; Western Canada operations impacted by production curtailments of 95 million board feet during the quarter (Q4 - 100 million board feet).
- Unit manufacturing costs largely unchanged from prior quarter** – Benefit of lower market-based stumpage offset the effects of lower log recoveries and reduced productivity driven by cold weather in Western Canada; wet weather increased competition for purchased wood in US South.

⁵ Preliminary quarterly European indicative SPF lumber benchmark price is an internally generated benchmark based on delivered price to largest continental market

Canfor Pulp Products Inc. Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q1 2019	Q4 2018	Variance
Gross Sales	\$ 304.0	\$ 289.7	\$ 14.3
Operating income (loss) by segment:			
Pulp	\$ 15.5	\$ 15.2	\$ 0.3
Paper	\$ 5.9	\$ 3.5	\$ 2.4
Unallocated	\$ (3.3)	\$ (3.1)	\$ (0.2)
Total operating income	\$ 18.1	\$ 15.6	\$ 2.5
Net income, as reported	\$ 10.8	\$ 14.2	\$ (3.4)
Operating income (loss) before amortization by segment:			
Pulp	\$ 36.9	\$ 34.7	\$ 2.2
Paper	\$ 6.8	\$ 4.4	\$ 2.4
Unallocated	\$ (3.3)	\$ (3.0)	\$ (0.3)
Total operating income before amortization	\$ 40.4	\$ 36.1	\$ 4.3
Average NBSK pulp list price delivered to China - US\$	\$ 710	\$ 805	\$ (95)
Average NBSK pulp list price delivered to China - CDN\$	\$ 944	\$ 1,062	\$ (118)
Production - Pulp (000 mt)	274	224	50
Shipments - Pulp (000 mt)	259	231	28

Pulp operating income broadly in line with Q4 2018 at \$16 million

- **Pulp sales realizations moderately lower than previous quarter** – Significantly lower US-dollar list prices to China offset by benefit of geographical sales mix and a 1 cent, or 1%, weaker Canadian dollar.
- **Pulp production and shipments up 22% and 12%, respectively** – Primarily reflecting improved asset reliability and an increase in operating days in the current quarter, offset in part by kiln-related operational disruptions at Northwood and Intercon in January, and, to a lesser extent, cold weather related challenges at all mills in February and early March. Shipments also include, in part, the replenishment of inventory levels drawn down in the fourth quarter of 2018.
- **Manufacturing costs moderately lower than prior quarter** – Benefits of increased production, lower maintenance spend, and reduced chemical costs, more than offset higher energy costs attributable to winter weather conditions and higher natural gas costs.

Paper operating income up from previous quarter at \$6 million

- Lower slush pulp costs linked to lower Canadian dollar NBSK pulp prices and, to a lesser extent, improved paper unit sales realizations.