

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 1, 2022
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. Words such as “expects”, “anticipates”, “projects”, “intends”, “plans”, “will”, “believes”, “seeks”, “estimates”, “should”, “may”, “could”, and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on management’s current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and Canfor assumes no obligation to update such information to reflect later events or developments, except as required by law.
- Adjusted results referenced throughout the presentation are not generally accepted under IFRS and are defined as non-IFRS financial measures. Refer to the “Non-IFRS Financial Measures” section of Canfor Corporation’s and Canfor Pulp Products Inc.’s Management Discussion & Analysis for the quarter ended March 31, 2022, for further details.
- 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 Management Discussion & Analysis for the year ended December 31, 2021.

Canfor Corporation
Q1 2022 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q1 2022		Q4 2021	
	\$	\$/Share	\$	\$/Share
Shareholder net income (loss), as reported	\$ 534.0	\$ 4.29	\$ (23.1)	\$ (0.19)
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on term debt	\$ (3.0)	\$ (0.02)	\$ 0.2	\$ -
(Gain) loss on derivative financial instruments	\$ (2.0)	\$ (0.02)	\$ 3.0	\$ 0.02
Asset impairments	\$ -	\$ -	\$ 182.9	\$ 1.47
Restructuring, mill closure and other items, net	\$ -	\$ -	\$ (8.4)	\$ (0.06)
Net impact of above items	\$ (5.0)	\$ (0.04)	\$ 177.7	\$ 1.43
Shareholder net income, as adjusted	\$ 529.0	\$ 4.25	\$ 154.6	\$ 1.24

Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q1 2022	Q4 2021	Variance
Gross sales	\$ 2,213.3	\$ 1,571.3	\$ 642.0
Reported operating income (loss) by segment:			
Lumber	\$ 783.0	\$ 86.3	\$ 696.7
Pulp and Paper	\$ (26.0)	\$ (137.2)	\$ 111.2
Unallocated and Other	\$ (15.1)	\$ (15.9)	\$ 0.8
Total operating income (loss), as reported	\$ 741.9	\$ (66.8)	\$ 808.7
Asset impairments	\$ -	\$ 293.5	\$ (293.5)
Inventory write-down (recovery)	\$ (1.1)	\$ 1.1	\$ (2.2)
Restructuring, mill closure and other items, net	\$ -	\$ (11.5)	\$ 11.5
Total operating income, as adjusted	\$ 740.8	\$ 216.3	\$ 524.5
Average exchange rate (US\$ per C\$1.00)	\$ 0.790	\$ 0.794	\$ (0.004)
Average exchange rate (SEK per C\$1.00)	7.367	7.026	0.341

Reported operating income (loss) before amortization and impairments			
Lumber	\$ 851.3	\$ 356.8	\$ 494.5
Pulp and Paper	\$ (5.9)	\$ (19.6)	\$ 13.7
Unallocated and Other	\$ (14.7)	\$ (15.5)	\$ 0.8
Total operating income before amortization and impairments, as reported	\$ 830.7	\$ 321.7	\$ 509.0
Inventory write-down (recovery)	\$ (1.1)	\$ 1.1	\$ (2.2)
Restructuring, mill closure and other items, net	\$ -	\$ (11.5)	\$ 11.5
Total operating income before amortization and impairments, as adjusted	\$ 829.6	\$ 311.3	\$ 518.3

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q1 2022	Q4 2021	Variance
Effective Duties by Quarter:			
Cash deposits paid ¹	\$ 88.6	\$ 26.4	\$ 62.2
Incremental duty recovery, attributable to current quarter ²	\$ (50.7)	\$ (2.6)	\$ (48.1)
Effective duty expense, net, for the current quarter³	\$ 37.9	\$ 23.8	\$ 14.1
Duty expense, net, attributable to prior quarters ⁴	\$ -	\$ 23.8	\$ (23.8)
Duty recovery, net, attributable to second period of administrative review ⁵	\$ -	\$ (48.7)	\$ 48.7
Duty expense (recovery), net, as reported	\$ 37.9	\$ (1.1)	\$ 39.0

¹ Combined CVD and ADD deposit rate of 4.62% from January to November 2021 and 19.54% from December 2021 to March 2022

² Recovery reflects estimated ADD accrual rate of 5.00% for Q1 2022 and 7.00% for Q4 2021

³ Combined CVD and ADD rate of 9.63% from January to November 2021 and 9.42% from December 2021 to March 2022

⁴ Q4 2021 expense reflects a 2.00% increase in the estimated ADD accrual rate applicable to Q1-Q3 2021 during the fourth period of administrative review (January 2021 to December 2021)

⁵ Duty recovery, net, of \$48.7 million recognized in Q4 2021 reflects the finalized rates for the second period of administrative review

Preliminary results of the third period of review (“POR3”) (2020) announced by US DOC in January 2022:

- CVD: deposit rate 13.24% for most of 2020; preliminary rate of 1.83% for POR3
- ADD: deposit rate 7.28% for most of 2020; accrued at estimated rate of 5.00%; preliminary rate of 4.92% for POR3
- Total combined CVD and ADD recovery, net, of approximately \$88.8 million (US\$66.5 million) to be recognized upon finalization of rates (currently anticipated in Q3 2022)

Canfor Corporation Lumber: Q1 2022 vs. Q4 2021



(millions of dollars unless otherwise noted)	Q1 2022	Q4 2021	Variance
Sales	\$ 1,993.7	\$ 1,322.0	\$ 671.7
Operating income before amortization and impairment, as reported	\$ 851.3	\$ 356.8	\$ 494.5
Operating income, as reported	\$ 783.0	\$ 86.3	\$ 696.7
Adjusted operating income	\$ 783.0	\$ 273.3	\$ 509.7
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 1,613	\$ 895	\$ 718
Average SYP East 2x4 #2 lumber price in US\$	\$ 1,372	\$ 862	\$ 510
Average SYP East 2x6 #2 lumber price in US\$	\$ 1,102	\$ 538	\$ 564
Production - Western SPF lumber (MMfbm)	652	529	123
Production - SYP lumber (MMfbm)	420	379	41
Production - EUR lumber (MMfbm)	376	383	(7)
Shipments - Canfor-produced Western SPF lumber (MMfbm)	585	517	68
Shipments - Canfor-produced SYP lumber (MMfbm)	399	377	22
Shipments - Canfor-produced EUR lumber (MMfbm)	423	426	(3)

Adjusted lumber earnings of \$783 million, up \$510 million from Q4

- Near record-high North American benchmark lumber prices and strong European sales realizations combined with increased North American production and shipment volumes despite ongoing supply chain challenges
- **Western Canada:** Substantial uplift in benchmark pricing reflected in Western SPF unit sales realizations, moderated in part by lower offshore realizations & lag in shipments (vs orders); higher production & shipments tied to a modest improvement in operating schedules and the acquisition of Millar Western in the quarter, offset by supply chain disruptions and reduced productivity
- **US South:** Record-high SYP 2x4 #2 pricing & significantly higher pricing for wider-width products (esp. SYP 2x6 #2) led to material increase in SYP unit sales realizations; increased production & shipment volumes driven by additional operating hours, improved log supply and increased trucking availability
- **Europe:** Strong earnings stemming from uplift in US-dollar North American benchmark prices coupled with a favourable geographic sales mix, offset in part by a slight decline in European market prices (attributed to the quarterly timing lag) & a 5% stronger Canadian dollar quarter-over-quarter

Canfor Pulp Products Inc. Pulp: Q1 2022 vs. Q4 2021



(millions of dollars unless otherwise noted)	Q1 2022	Q4 2021	Variance
Gross Sales	\$ 219.6	\$ 249.3	\$ (29.7)
Reported operating income (loss) by segment:			
Pulp	\$ (29.3)	\$ (135.2)	\$ 105.9
Paper	\$ 6.0	\$ 1.7	\$ 4.3
Unallocated	\$ (2.7)	\$ (3.7)	\$ 1.0
Total operating loss, as reported	\$ (26.0)	\$ (137.2)	\$ 111.2
Asset impairment	\$ -	\$ 95.0	\$ (95.0)
Inventory write-down (recovery)	\$ (1.1)	\$ 1.1	\$ (2.2)
Total operating loss, as adjusted	\$ (27.1)	\$ (41.1)	\$ 14.0
Reported operating income (loss) before amortization and impairment:			
Pulp	\$ (9.7)	\$ (18.1)	\$ 8.4
Paper	\$ 6.5	\$ 2.2	\$ 4.3
Unallocated	\$ (2.7)	\$ (3.7)	\$ 1.0
Total operating loss before amortization and impairment, as reported	\$ (5.9)	\$ (19.6)	\$ 13.7
Inventory write-down (recovery)	\$ (1.1)	\$ 1.1	\$ (2.2)
Total operating loss before amortization and impairment, as adjusted	\$ (7.0)	\$ (18.5)	\$ 11.5
Average NBSK pulp list price delivered to China - US\$	\$ 899	\$ 723	\$ 176
Average NBSK pulp list price delivered to China - CDN\$	\$ 1,139	\$ 911	\$ 228
Production - Pulp (000 mt)	176	190	(14)
Shipments - Pulp (000 mt)	176	216	(40)

Canfor Pulp adjusted operating loss of \$27 million, \$14 million favourable to Q4

- Global pulp market conditions tightened significantly in the quarter generating a sharp increase in US-dollar pulp list prices; despite higher pricing, unit sales realizations were broadly comparable quarter-over-quarter due to the impact of ongoing supply disruptions on Canfor Pulp's operations & shipments
- Reduced pulp production of ~70,000 tonnes due to the rebuild of Northwood's recovery boiler number one (RB1) (Q4 2021: 10,000 tonnes), completed mid-April 2022; production downtime at Taylor (~30,000 tonnes) due to transportation shortages in BC that pushed the mill's inventory levels to capacity
- Significantly lower shipment volumes reflected reduced production as well as global logistics constraints & challenging transportation environment in BC