

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 4, 2023
Financial Performance Overview**



Presented by:

Pat Elliott – CFO & SVP, Sustainability



- 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 year ended December 31, 2023, 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, 2023.

Canfor Corporation
Q4 2023 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q4 2023		Q3 2023	
	\$	\$/Share	\$	\$/Share
Shareholder net loss, as reported	\$ (117.1)	\$ (0.98)	\$ (23.1)	\$ (0.19)
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on term debt	\$ (5.3)	\$ (0.04)	\$ 6.4	\$ 0.05
Gain on derivative financial instruments	\$ (4.8)	\$ (0.04)	\$ (2.7)	\$ (0.02)
Net impact of above items	\$ (10.1)	\$ (0.08)	\$ 3.7	\$ 0.03
Shareholder net loss, as adjusted	\$ (127.2)	\$ (1.06)	\$ (19.4)	\$ (0.16)

Canfor Corporation

Sales and Operating Earnings Summary



(millions of dollars, unless otherwise noted)	Q4 2023	Q3 2023	Variance
Gross sales	\$ 1,282.9	\$ 1,312.3	\$ (29.4)
Reported operating loss by segment:			
Lumber	\$ (162.2)	\$ (1.3)	\$ (160.9)
Pulp and Paper	\$ (15.1)	\$ (49.3)	\$ 34.2
Unallocated and Other	\$ (14.0)	\$ (14.5)	\$ 0.5
Total operating loss, as reported	\$ (191.3)	\$ (65.1)	\$ (126.2)
Inventory write-down recovery	\$ (41.1)	\$ (20.8)	\$ (20.3)
Total operating loss, as adjusted	\$ (232.4)	\$ (85.9)	\$ (146.5)
Average exchange rate (US\$ per C\$1.00)	\$ 0.734	\$ 0.746	\$ (0.012)
Average exchange rate (SEK per C\$1.00)	7.819	8.056	(0.237)
Reported operating income (loss) before amortization			
Lumber	\$ (76.9)	\$ 84.1	\$ (161.0)
Pulp and Paper	\$ 1.1	\$ (27.7)	\$ 28.8
Unallocated and Other	\$ (13.3)	\$ (13.8)	\$ 0.5
Total operating income (loss) before amortization, as reported	\$ (89.1)	\$ 42.6	\$ (131.7)
Inventory write-down recovery	\$ (41.1)	\$ (20.8)	\$ (20.3)
Total operating income (loss) before amortization, as adjusted	\$ (130.2)	\$ 21.8	\$ (152.0)

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q4 2023	Q3 2023	Variance
Effective Duties by Quarter:			
Cash deposits paid ¹	\$ 10.8	\$ 11.5	\$ 0.7
Incremental duty expense attributable to current quarter ²	\$ 32.7	\$ 20.5	\$ (12.2)
Duty expense, as reported³	\$ 43.5	\$ 32.0	\$ (11.5)
Duty expense (recovery), net, attributable to prior quarters ⁴	\$ 48.8	\$ -	\$ (48.8)
Duty recovery, net, attributable to fourth period of administrative review ⁵	\$ -	\$ (43.3)	\$ (43.3)
Duty expense (recovery), net, as reported	\$ 92.3	\$ (11.3)	\$ (103.6)

¹ Combined CVD and ADD deposit rate of 5.87% from January to July 2023 and 6.61% from August to December 2023

² Expense reflects estimated ADD accrual rate of 35.00% for Q4 2023 and 20.00% for Q3 2023

³ Combined CVD and ADD accrual rate of 35.95% from January to July 2023 and 36.36% from August to December 2023

⁴ Q4 2023 duty expense reflects a 15.00% increase in the estimated ADD accrual rate applicable to Q1-Q3 2023 during the sixth period of administrative review (January to

⁵ Q3 2023 duty recovery, net, reflects the finalized rates for the fourth period of administrative review (January to December 2021)

Preliminary results of the fifth period of review (“POR5”) (2022) announced by US Department of Commerce (“DOC”) in February 2024:

- Total cumulative cash deposits paid to December 31, 2023, of \$931.0 million
- CVD: deposit rate of 2.42% from January to July 2022 & 0.95% from August to December 2022; preliminary rate of 6.14%
- ADD: deposit rate of 17.12% from January to July 2022 & 4.92% from August to December 2022; accrued at estimated rate of 9.00%; preliminary rate of 9.65%
- Total estimated combined CVD and ADD expense of approximately \$58.8 million (US\$42.2 million) to be recognized upon finalization of rates (currently anticipated in Q3 2024)
- No cash duties to be refunded until litigation regarding the imposition of CVD and ADD has been settled

Canfor Corporation Lumber: Q4 2023 vs. Q3 2023



(millions of dollars, unless otherwise noted)	Q4 2023	Q3 2023	Variance
Sales	\$ 1,089.0	\$ 1,123.5	\$ (34.5)
Operating income (loss) before amortization	\$ (76.9)	\$ 84.1	\$ (161.0)
Operating loss, as reported	\$ (162.2)	\$ (1.3)	\$ (160.9)
Inventory write-down recovery	\$ (30.2)	\$ (18.8)	\$ (11.4)
Operating loss, as adjusted	\$ (192.4)	\$ (20.1)	\$ (172.3)
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 545	\$ 562	\$ (17)
Average SYP East 2x4 #2 lumber price in US\$	\$ 448	\$ 452	\$ (4)
Average SYP East 2x6 #2 lumber price in US\$	\$ 333	\$ 404	\$ (71)
Production - Western SPF lumber (MMfbm)	503	495	8
Production - SYP lumber (MMfbm)	438	451	(13)
Production - EUR lumber (MMfbm)	324	278	46
Shipments - Canfor-produced Western SPF lumber (MMfbm)	510	534	(24)
Shipments - Canfor-produced SYP lumber (MMfbm)	434	443	(9)
Shipments - Canfor-produced EUR lumber (MMfbm)	389	311	78

Lumber segment operating loss of \$162 million, down \$161 million from Q3

- Another challenging quarter for Western Canada; more modest decline in results for the US South and Europe
- Sustained pressure on global lumber market conditions and pricing through most of Q4, as ongoing affordability constraints more than outweighed an unanticipated uptick in housing starts, the impact of production curtailments in BC & steady repair and remodeling activity
- **Western Canada:** Western SPF unit sales realizations primarily reflected a 5% decrease in the SPF 2x4 #2&Btr price, coupled with more pronounced declines for certain wider-width and low-grade products
- **US South:** Significant decrease in average SYP unit sales realizations tied to notable drop in pricing for most wider-width dimensions, including the SYP East 2x6 #2 which was down 18% quarter-over-quarter
- **Europe:** Moderately lower unit sales realizations principally reflected pricing pressure in European lumber markets driven by low residential housing starts & seasonally slower do-it-yourself sector; increased production & shipments in current quarter following Q3 seasonal downtime

Canfor Pulp Products Inc. Pulp: Q4 2023 vs. Q3 2023



(millions of dollars unless otherwise noted)	Q4 2023	Q3 2023	Variance
Gross Sales	\$ 193.9	\$ 188.8	\$ 5.1
Reported operating income (loss) by segment:			
Pulp	\$ (16.0)	\$ (50.8)	\$ 34.8
Paper	\$ 3.5	\$ 4.4	\$ (0.9)
Unallocated	\$ (2.6)	\$ (2.9)	\$ 0.3
Total operating loss, as reported	\$ (15.1)	\$ (49.3)	\$ 34.2
Inventory write-down recovery	\$ (10.9)	\$ (2.0)	\$ (8.9)
Total operating loss, as adjusted	\$ (26.0)	\$ (51.3)	\$ 25.3
Reported operating income (loss) before amortization:			
Pulp	\$ (0.6)	\$ (29.9)	\$ 29.3
Paper	\$ 4.3	\$ 5.0	\$ (0.7)
Unallocated	\$ (2.6)	\$ (2.8)	\$ 0.2
Total operating income (loss) before amortization, as reported	\$ 1.1	\$ (27.7)	\$ 28.8
Inventory write-down recovery	\$ (10.9)	\$ (2.0)	\$ (8.9)
Total operating loss before amortization, as adjusted	\$ (9.8)	\$ (29.7)	\$ 19.9
Average NBSK pulp list price delivered to China - US\$	\$ 748	\$ 680	\$ 68
Average NBSK pulp list price delivered to China - CDN\$	\$ 1,019	\$ 912	\$ 107
Production - Pulp (000 mt)	148	123	25
Shipments - Pulp (000 mt)	136	142	(6)

Canfor Pulp operating loss of \$15 million, \$34 million favourable to Q3

- Global softwood pulp markets moderately improved in Q4 reflecting a slight uptick in demand & purchasing activity in most major regions as global pulp producer inventories returned to a more balanced range
- Moderate uplift in NBSK unit sales realizations principally tied to a 10% increase in US-dollar NBSK list prices to China
- Pulp production was up 20% in Q4 principally reflecting improved productivity at Northwood and Intercon, despite a delay in the restart of Northwood following the maintenance outage in Q3