

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 4, 2019
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.
- 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, 2019.

Canfor Corporation
Q4 2019 Review: Items Impacting Earnings (Loss) Comparability



(millions of dollars, except for per share amounts)	Q4 2019		Q3 2019	
	\$	\$/Share	\$	\$/Share
Shareholder net loss, as reported	\$ (39.1)	\$ (0.31)	\$ (88.5)	\$ (0.71)
Non-operating items (after-tax, net of non-controlling interests)				
Countervailing and anti-dumping duty deposit expense, net	\$ 31.9	\$ 0.25	\$ 39.1	\$ 0.31
Foreign exchange (gain) loss on long-term debt and duty deposits recoverable, net	\$ (3.6)	\$ (0.03)	\$ 2.1	\$ 0.02
Loss on derivative financial instruments	\$ 0.2	\$ -	\$ 0.1	\$ -
Restructuring costs	\$ 2.4	\$ 0.03	\$ 4.7	\$ 0.04
Net impact of above items	\$ 30.9	\$ 0.25	\$ 46.0	\$ 0.37
Shareholder net loss, as adjusted	\$ (8.2)	\$ (0.06)	\$ (42.5)	\$ (0.34)

Canfor Corporation

Sales and Operating Earnings (Loss) Summary



(millions of dollars unless otherwise noted)	Q4 2019	Q3 2019	Variance
Gross sales	\$ 1,105.2	\$ 1,091.4	\$ 13.8
Reported operating loss by segment:			
Lumber	\$ (27.5)	\$ (66.5)	\$ 39.0
Pulp and Paper	\$ (23.5)	\$ (44.0)	\$ 20.5
Unallocated and Other	\$ (8.6)	\$ (9.8)	\$ 1.2
Total operating loss, as reported	\$ (59.6)	\$ (120.3)	\$ 60.7
Countervailing and anti-dumping duties, net	\$ 43.7	\$ 53.5	\$ (9.8)
Inventory write-down (recovery), net	\$ (19.9)	\$ (5.3)	\$ (14.6)
Restructuring costs	\$ 3.3	\$ 6.4	\$ (3.1)
Total operating loss, as adjusted	\$ (32.5)	\$ (65.7)	\$ 33.2
Average exchange rate (US\$ per C\$1.00)	\$ 0.758	\$ 0.757	\$ 0.001
Average exchange rate (SEK per C\$1.00)	7.281	7.262	0.019

Reported operating income (loss) before amortization			
Lumber	\$ 43.7	\$ 2.5	\$ 41.2
Pulp and Paper	\$ 0.1	\$ (20.3)	\$ 20.4
Unallocated and Other	\$ (8.2)	\$ (9.6)	\$ 1.4
Total operating income (loss) before amortization, as reported	\$ 35.6	\$ (27.4)	\$ 63.0
Countervailing and anti-dumping duties, net	\$ 43.7	\$ 53.5	\$ (9.8)
Inventory write-down (recovery), net	\$ (19.9)	\$ (5.3)	\$ (14.6)
Restructuring costs	\$ 3.3	\$ 6.4	\$ (3.1)
Total operating income before amortization, as adjusted	\$ 62.7	\$ 27.2	\$ 35.5

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q4 2019	Q3 2019	Variance
Effective Duties by Quarter:			
Cash deposits paid ¹	\$ 33.2	\$ 33.7	\$ (0.5)
Incremental duty expense, attributable to current quarter ²	\$ 10.5	\$ 12.2	\$ (1.7)
Effective duty expense, net, for the current quarter³	\$ 43.7	\$ 45.9	\$ (2.2)
Duty expense, net, attributable to prior quarters ⁴	\$ -	\$ 7.6	\$ (7.6)
Duty expense, net, as reported	\$ 43.7	\$ 53.5	\$ (9.8)

¹ Combined CVD and ADD deposit rate of 20.52%

² Expense reflects estimated ADD accrual rate of 16.00%

³ Combined CVD and ADD rate of 29.24%

⁴ Q3 2019 incremental expense reflects 3.00% increase in the estimated ADD accrual rate applicable to Q1 and Q2 2019 during the second period of administrative review (January 2019 to December 2019)

Preliminary results of the first period of review (“POR1”) (2017-2018) announced by US Department of Commerce (“DOC”) in early 2020:

- Total cumulative cash deposits paid to December 31, 2019 were \$421.4 million
- CVD: deposit rate 13.24%; preliminary rate of 2.93% for 2017, 2.61% for 2018
- ADD: deposit rate 7.28%, accrued at estimated rate of 2.6%; preliminary rate of 2.02% for POR1
- Total combined CVD and ADD recovery estimated at \$140.6 million to be recognized in financial statements upon finalization of rates (anticipated in Q3 2020)
- The difference between the combined cash deposit rate of 20.52% and the combined preliminary DOC rates for POR1 is currently estimated at \$217.3 million
- No cash duties to be refunded until litigation regarding the imposition of CVD and ADD has been settled



	Q4 2019	Q3 2019	Variance
(millions of dollars unless otherwise noted)			
Sales	\$ 857.8	\$ 874.6	\$ (16.8)
Operating income before amortization, as reported	\$ 43.7	\$ 2.5	\$ 41.2
Operating loss, as reported	\$ (27.5)	\$ (66.5)	\$ 39.0
Operating income (loss), as adjusted	\$ 2.6	\$ (11.9)	\$ 14.5
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 501	\$ 470	\$ 31
Average SYP East 2x4 #2 lumber price in US\$	\$ 406	\$ 410	\$ (4)
Average European indicative SPF lumber price in SEK ⁵	3,540	3,652	(112)
Production - Western SPF lumber (MMfbm)	606	595	11
Production - SYP lumber (MMfbm)	354	365	(11)
Production - EUR SPF lumber (MMfbm)	286	220	66
Shipments - Canfor-produced Western SPF lumber (MMfbm)	624	644	(20)
Shipments - Canfor-produced SYP lumber (MMfbm)	342	365	(23)
Shipments - Canfor-produced EUR SPF lumber (MMfbm)	258	223	35

Adjusted lumber operating income of \$3 million, improvement of \$15 million from Q3 loss

- Europe: Solid results – increased operating days following seasonal downtime, improved productivity & lower log costs, offset moderately lower European SPF unit realizations
- US South: Challenges from seasonally weaker prices across most grades & capital-related downtime
- Western Canada: Continued market and fibre-related challenges in BC despite measured recovery in US lumber market fundamentals and moderate up-tick in Western SPF benchmark pricing
 - BC operations took a further 115 million board feet of temporary production curtailments

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. Q4 2019 vs. Q3 2019 and Sales and Operating Earnings (Loss) Summary



(millions of dollars unless otherwise noted)	Q4 2019	Q3 2019	Variance
Gross Sales	\$ 247.5	\$ 216.9	\$ 30.6
Reported operating income (loss) by segment:			
Pulp	\$ (26.8)	\$ (45.5)	\$ 18.7
Paper	\$ 5.0	\$ 3.9	\$ 1.1
Unallocated	\$ (1.7)	\$ (2.4)	\$ 0.7
Total operating loss	\$ (23.5)	\$ (44.0)	\$ 20.5
Inventory write-down (recovery)	\$ (3.0)	\$ -	\$ (3.0)
Total operating income (loss), as adjusted	\$ (26.5)	\$ (44.0)	\$ 17.5
Reported operating income (loss) before amortization by segment:			
Pulp	\$ (4.0)	\$ (22.8)	\$ 18.8
Paper	\$ 5.8	\$ 4.8	\$ 1.0
Unallocated	\$ (1.7)	\$ (2.3)	\$ 0.6
Total operating income (loss) before amortization	\$ 0.1	\$ (20.3)	\$ 20.4
Inventory write-down (recovery)	\$ (3.0)	\$ -	\$ (3.0)
Total operating income (loss) before amortization, as adjusted	\$ (2.9)	\$ (20.3)	\$ 17.4
Average NBSK pulp list price delivered to China - US\$	\$ 588	\$ 585	\$ 3
Average NBSK pulp list price delivered to China - CDN\$	\$ 776	\$ 773	\$ 3
Production - Pulp (000 mt)	286	174	112
Shipments - Pulp (000 mt)	267	213	54

Canfor Pulp adjusted operating loss of \$27 million, improvement of \$18 million from Q3 loss

- Global pulp prices remained at depressed levels – weak pricing in Asia spilled over to North America, Europe
- Pick-up in China purchasing, but demand in Europe remained weak; global softwood pulp inventories up 2 days, to 37 days of supply
- Increased shipments, lower pulp unit manufacturing costs following market-driven curtailments in prior quarter
 - Record-high quarterly BCTMP production at Taylor pulp mill; improved productivity at Prince George pulp mill offset kiln-related disruptions at Northwood and Intercontinental pulp mills
- Launched \$40 million cost reduction initiative in 2020, targeting realized savings by end of 2021