

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 2, 2021
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, 2020.

Canfor Corporation
Q2 2021 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q2 2021		Q1 2021	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 726.9	\$ 5.81	\$ 427.8	\$ 3.42
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange gain on term debt	\$ (5.7)	\$ (0.05)	\$ (2.6)	\$ (0.02)
Loss on derivative financial instruments	\$ -	\$ -	\$ 9.0	\$ 0.07
Net impact of above items	\$ (5.7)	\$ (0.05)	\$ 6.4	\$ 0.05
Shareholder net income, as adjusted	\$ 721.2	\$ 5.76	\$ 434.2	\$ 3.47

Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q2 2021	Q1 2021	Variance
Gross sales	\$ 2,495.2	\$ 1,941.8	\$ 553.4
Reported operating income (loss) by segment:			
Lumber	\$ 1,000.5	\$ 606.7	\$ 393.8
Pulp and Paper	\$ 51.0	\$ 4.9	\$ 46.1
Unallocated and Other	\$ (10.2)	\$ (9.0)	\$ (1.2)
Total operating income, as reported	\$ 1,041.3	\$ 602.6	\$ 438.7
Inventory recovery	\$ -	\$ (2.2)	\$ 2.2
Total operating income, as adjusted	\$ 1,041.3	\$ 600.4	\$ 440.9
Average exchange rate (US\$ per C\$1.00)	\$ 0.814	\$ 0.790	\$ 0.024
Average exchange rate (SEK per C\$1.00)	6.851	6.628	0.223

Reported operating income (loss) before amortization			
Lumber	\$ 1,071.6	\$ 679.7	\$ 391.9
Pulp and Paper	\$ 72.9	\$ 25.7	\$ 47.2
Unallocated and Other	\$ (9.9)	\$ (8.7)	\$ (1.2)
Total operating income before amortization, as reported	\$ 1,134.6	\$ 696.7	\$ 437.9
Inventory write-down recovery	\$ -	\$ (2.2)	\$ 2.2
Total operating income before amortization, as adjusted	\$ 1,134.6	\$ 694.5	\$ 440.1

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q2 2021	Q1 2021	Variance
Effective Duties by Quarter:			
Cash deposits paid ¹	\$ 30.0	\$ 20.7	\$ 9.3
Incremental duty expense, attributable to current quarter ²	\$ 6.4	\$ 10.4	\$ (4.0)
Effective duty expense, net, for the current quarter³	\$ 36.4	\$ 31.1	\$ 5.3
Duty recovery, net, attributable to prior periods ⁴	\$ (4.4)	\$ -	\$ (4.4)
Duty expense, net, as reported	\$ 32.0	\$ 31.1	\$ 0.9

¹ Combined CVD and ADD deposit rate of 4.62%

² Expense reflects estimated ADD accrual rate of 3.00% for Q2 2021, 4.00% for Q1 2021

³ Combined CVD and ADD rate of 5.63% for Q2 2021, 6.63% for Q1 2021

⁴ Q2 2021 incremental recovery reflects a 1.00% decrease in the estimated ADD accrual rate applicable to Q1 2021 during the fourth period of administrative review (January 2021 to December 2021)

Preliminary results of the second period of review (“POR2”) (2019) announced by US Department of Commerce (“DOC”) in May 2021:

- Total cumulative cash deposits paid to June 30, 2021 of \$644.7 million
- CVD: deposit rate 13.24%; preliminary rate of 2.42% for POR2
- ADD: deposit rate 7.28%, accrued at estimated rate of 16.00%; preliminary rate of 18.62% for POR2
- Incremental net recovery estimated at \$37.2 million (US\$30.6 million) to be recognized in financial statements upon finalization of POR2 CVD & ADD rates (anticipated in Q4 2021) – estimate represents the difference between the combined accrual rate of 29.24% and the preliminary rates of 21.04%
- No cash duties to be refunded until litigation regarding the imposition of CVD and ADD has been settled

Canfor Corporation Lumber: Q2 2021 vs. Q1 2021



(millions of dollars unless otherwise noted)	Q2 2021	Q1 2021	Variance
Sales	\$ 2,161.1	\$ 1,679.5	\$ 481.6
Operating income before amortization, as reported	\$ 1,071.6	\$ 679.7	\$ 391.9
Operating income, as reported	\$ 1,000.5	\$ 606.7	\$ 393.8
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 1,649	\$ 1,231	\$ 418
Average SYP East 2x4 #2 lumber price in US\$	\$ 1,163	\$ 1,160	\$ 3
Average European lumber price in SEK ¹	6,101	4,572	1,529
Production - Western SPF lumber (MMfbm)	721	713	8
Production - SYP lumber (MMfbm)	435	414	21
Production - EUR lumber (MMfbm)	351	347	4
Shipments - Canfor-produced Western SPF lumber (MMfbm)	708	664	44
Shipments - Canfor-produced SYP lumber (MMfbm)	431	390	41
Shipments - Canfor-produced EUR lumber (MMfbm)	401	395	6

Record-high lumber earnings of \$1 billion, up \$394 million from Q1

- Unprecedented high lumber prices, strong operating performance across all regions; record-high quarterly sales of \$2.2 billion
- **Western Canada:** Substantial increase in Western SPF unit sales realizations re. record North American benchmark pricing, significantly improved offshore realizations (esp. Japan) & increased shipments outweighing modestly higher log costs & stronger Canadian dollar
- **US South:** Record SYP 2x4 East benchmark pricing & pronounced increase in wider-width dimensions leading to significant increase in SYP unit sales realizations, combined with improved production & shipments; log costs stable
- **Europe:** Notable uptick in European unit sales realizations re. ongoing increase in European market demand & record North American pricing environment, partially offset by traditional quarterly lag in European contract pricing & timing of orders (versus shipments)

Canfor Pulp Products Inc.
Pulp: Q2 2021 vs. Q1 2021



(millions of dollars unless otherwise noted)	Q2 2021	Q1 2021	Variance
Gross Sales	\$ 334.1	\$ 262.3	\$ 71.8
Reported operating income (loss) by segment:			
Pulp	\$ 53.6	\$ 3.7	\$ 49.9
Paper	\$ 0.9	\$ 4.2	\$ (3.3)
Unallocated	\$ (3.5)	\$ (3.0)	\$ (0.5)
Total operating income	\$ 51.0	\$ 4.9	\$ 46.1
Reported operating income (loss) before amortization by segment:			
Pulp	\$ 74.8	\$ 23.8	\$ 51.0
Paper	\$ 1.6	\$ 4.9	\$ (3.3)
Unallocated	\$ (3.5)	\$ (3.0)	\$ (0.5)
Total operating income before amortization	\$ 72.9	\$ 25.7	\$ 47.2
Average NBSK pulp list price delivered to China - US\$	\$ 962	\$ 883	\$ 79
Average NBSK pulp list price delivered to China - CDN\$	\$ 1,181	\$ 1,118	\$ 63
Production - Pulp (000 mt)	290	292	(2)
Shipments - Pulp (000 mt)	285	265	20

Canfor Pulp operating income of \$51 million, \$46 million higher than Q1

- Stabilization of global pulp market conditions following sharp improvement in Q1; solid demand early in the quarter offset by downward pricing pressure in June re. moderated purchasing activity in China
- Substantial increase in NBSK pulp unit sales realizations re. significantly higher list prices & favourable lag in shipments (versus orders), more than offsetting the 3% stronger Canadian dollar
- Shipments up 8% re. increased vessels in current period following transportation constraints in Q1