

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 3, 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
Q3 2021 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q3 2021		Q2 2021	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 210.0	\$ 1.68	\$ 726.9	\$ 5.81
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on term debt	\$ 1.5	\$ 0.02	\$ (5.7)	\$ (0.05)
Gain on derivative financial instruments	\$ (1.2)	\$ (0.01)	\$ -	\$ -
Net impact of above items	\$ 0.3	\$ 0.01	\$ (5.7)	\$ (0.05)
Shareholder net income, as adjusted	\$ 210.3	\$ 1.69	\$ 721.2	\$ 5.76

Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q3 2021	Q2 2021	Variance
Gross sales	\$ 1,676.6	\$ 2,495.2	\$ (818.6)
Reported operating income (loss) by segment:			
Lumber	\$ 326.1	\$ 1,000.5	\$ (674.4)
Pulp and Paper	\$ 15.8	\$ 51.0	\$ (35.2)
Unallocated and Other	\$ (10.9)	\$ (10.2)	\$ (0.7)
Total operating income, as reported	\$ 331.0	\$ 1,041.3	\$ (710.3)
Inventory write-down	\$ 3.5	\$ -	\$ 3.5
Total operating income, as adjusted	\$ 334.5	\$ 1,041.3	\$ (706.8)
Average exchange rate (US\$ per C\$1.00)	\$ 0.794	\$ 0.814	\$ (0.020)
Average exchange rate (SEK per C\$1.00)	6.865	6.851	0.014

Reported operating income (loss) before amortization			
Lumber	\$ 398.1	\$ 1,071.6	\$ (673.5)
Pulp and Paper	\$ 37.8	\$ 72.9	\$ (35.1)
Unallocated and Other	\$ (10.5)	\$ (9.9)	\$ (0.6)
Total operating income before amortization, as reported	\$ 425.4	\$ 1,134.6	\$ (709.2)
Inventory write-down	\$ 3.5	\$ -	\$ 3.5
Total operating income before amortization, as adjusted	\$ 428.9	\$ 1,134.6	\$ (705.7)

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q3 2021	Q2 2021	Variance
Effective Duties by Quarter:			
Cash deposits paid ¹	\$ 11.4	\$ 30.0	\$ (18.6)
Incremental duty expense, attributable to current quarter ²	\$ 6.6	\$ 6.4	\$ 0.2
Effective duty expense, net, for the current quarter³	\$ 18.0	\$ 36.4	\$ (18.4)
Duty expense (recovery), net, attributable to prior periods ⁴	\$ 20.4	\$ (4.4)	\$ 24.8
Duty expense, net, as reported	\$ 38.4	\$ 32.0	\$ 6.4

¹ Combined CVD and ADD deposit rate of 4.62%

² Expense reflects estimated ADD accrual rate of 5.00% for Q3 2021, 3.00% for Q2 2021

³ Combined CVD and ADD rate of 7.63% for Q3 2021, 5.63% for Q2 2021

⁴ Q3 2021 incremental expense reflects a 2.00% increase in the estimated ADD accrual rate applicable to Q1 and Q2 2021 during the fourth period of administrative review (January 2021 to December 2021)

Canfor Corporation Lumber: Q3 2021 vs. Q2 2021



(millions of dollars unless otherwise noted)	Q3 2021	Q2 2021	Variance
Sales	\$ 1,377.9	\$ 2,161.1	\$ (783.2)
Operating income before amortization, as reported	\$ 398.1	\$ 1,071.6	\$ (673.5)
Operating income, as reported	\$ 326.1	\$ 1,000.5	\$ (674.4)
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 622	\$ 1,649	\$ (1,027)
Average SYP East 2x4 #2 lumber price in US\$	\$ 533	\$ 1,163	\$ (630)
Average European indicative lumber price in SEK ¹	8,330	6,101	2,229
Production - Western SPF lumber (MMfbm)	550	721	(171)
Production - SYP lumber (MMfbm)	413	435	(22)
Production - EUR lumber (MMfbm)	316	351	(35)
Shipments - Canfor-produced Western SPF lumber (MMfbm)	572	708	(136)
Shipments - Canfor-produced SYP lumber (MMfbm)	440	431	9
Shipments - Canfor-produced EUR lumber (MMfbm)	306	401	(95)

Lumber earnings of \$326 million, down \$674 million from Q2 record-high

- Sharp decline in North American benchmark lumber prices and lower production and shipments outweighed record European results
- **Western Canada:** Significantly lower Western SPF unit sales realizations despite substantial uplift in offshore (esp. Japan) due to steep drop in North American benchmark pricing, coupled with reduced production and shipments & notably higher log costs
- **US South:** Considerably lower SYP 2x4 East pricing & similar declines in wider-widths led to significantly lower SYP unit sales realizations, combined with lower production volumes & the associated unfavourable impact on unit manufacturing costs
- **Europe:** Record earnings driven by notable uplift in European unit sales realizations re. strong European market demand (esp. the UK), impacted somewhat by traditional quarterly lag in European contract pricing & declines in North American pricing environment; realizations partially offset by lower production (seasonal downtime) and shipments & higher market-based log costs

Canfor Pulp Products Inc.
Pulp: Q3 2021 vs. Q2 2021



(millions of dollars unless otherwise noted)	Q3 2021	Q2 2021	Variance
Gross Sales	\$ 298.7	\$ 334.1	\$ (35.4)
Reported operating income (loss) by segment:			
Pulp	\$ 22.1	\$ 53.6	\$ (31.5)
Paper	\$ (2.5)	\$ 0.9	\$ (3.4)
Unallocated	\$ (3.8)	\$ (3.5)	\$ (0.3)
Total operating income	\$ 15.8	\$ 51.0	\$ (35.2)
Inventory write-down	\$ 3.5	\$ -	\$ 3.5
Total operating income, as adjusted	\$ 19.3	\$ 51.0	\$ (31.7)
Reported operating income (loss) before amortization by segment:			
Pulp	\$ 43.4	\$ 74.8	\$ (31.4)
Paper	\$ (1.9)	\$ 1.6	\$ (3.5)
Unallocated	\$ (3.7)	\$ (3.5)	\$ (0.2)
Total operating income before amortization	\$ 37.8	\$ 72.9	\$ (35.1)
Inventory write-down	\$ 3.5	\$ -	\$ 3.5
Total operating income before amortization, as adjusted	\$ 41.3	\$ 72.9	\$ (31.6)
Average NBSK pulp list price delivered to China - US\$	\$ 832	\$ 962	\$ (130)
Average NBSK pulp list price delivered to China - CDN\$	\$ 1,048	\$ 1,181	\$ (133)
Production - Pulp (000 mt)	247	290	(43)
Shipments - Pulp (000 mt)	241	285	(44)

Canfor Pulp operating income of \$16 million, \$35 million lower than Q2

- Global pulp market fundamentals experienced modest pressure following near-record highs in Q2, with decline in purchasing activity, particularly from Asian markets, combined with global transportation challenges & high global pulp inventory levels
- Modest improvement in NBSK pulp unit sales realizations despite lower list prices due to favourable delay in shipments (versus orders) re. ongoing global transportation disruptions & 2% weaker Canadian dollar
- Pulp production and shipments down 15% re. scheduled and unscheduled downtime in Q3