

**Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 2, 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 June 30, 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**  
**Q2 2022 Review: Items Impacting Earnings Comparability**



(millions of dollars, except for per share amounts)	Q2 2022		Q1 2022	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 373.8	\$ 3.02	\$ 534.0	\$ 4.29
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on term debt	\$ 4.9	\$ 0.04	\$ (3.0)	\$ (0.02)
(Gain) loss on derivative financial instruments	\$ 1.0	\$ 0.01	\$ (2.0)	\$ (0.02)
Net impact of above items	\$ 5.9	\$ 0.05	\$ (5.0)	\$ (0.04)
Shareholder net income, as adjusted	\$ 379.7	\$ 3.07	\$ 529.0	\$ 4.25

## Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q2 2022	Q1 2022	Variance
Gross sales	\$ 2,171.7	\$ 2,213.3	\$ (41.6)
Reported operating income (loss) by segment:			
Lumber	\$ 552.1	\$ 783.0	\$ (230.9)
Pulp and Paper	\$ (8.1)	\$ (26.0)	\$ 17.9
Unallocated and Other	\$ (12.4)	\$ (15.1)	\$ 2.7
<b>Total operating income, as reported</b>	<b>\$ 531.6</b>	<b>\$ 741.9</b>	<b>\$ (210.3)</b>
Inventory write-down (recovery)	\$ 0.5	\$ (1.1)	\$ 1.6
<b>Total operating income, as adjusted</b>	<b>\$ 532.1</b>	<b>\$ 740.8</b>	<b>\$ (208.7)</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.783	\$ 0.790	\$ (0.007)
Average exchange rate (SEK per C\$1.00)	7.708	7.367	0.341

Reported operating income (loss) before amortization			
Lumber	\$ 626.6	\$ 851.3	\$ (224.7)
Pulp and Paper	\$ 15.7	\$ (5.9)	\$ 21.6
Unallocated and Other	\$ (12.0)	\$ (14.7)	\$ 2.7
<b>Total operating income before amortization, as reported</b>	<b>\$ 630.3</b>	<b>\$ 830.7</b>	<b>\$ (200.4)</b>
Inventory write-down (recovery)	\$ 0.5	\$ (1.1)	\$ 1.6
<b>Total operating income before amortization, as adjusted</b>	<b>\$ 630.8</b>	<b>\$ 829.6</b>	<b>\$ (198.8)</b>

## Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q2 2022	Q1 2022	Variance
<b>Effective Duties by Quarter:</b>			
Cash deposits paid <sup>1</sup>	\$ 78.5	\$ 88.6	\$ (10.1)
Incremental duty recovery <sup>2</sup>	\$ (45.3)	\$ (50.7)	\$ 5.4
<b>Effective duty expense, net, as reported<sup>3</sup></b>	<b>\$ 33.2</b>	<b>\$ 37.9</b>	<b>\$ (4.7)</b>

<sup>1</sup> Combined CVD and ADD deposit rate of 19.54%

<sup>2</sup> Recovery reflects estimated ADD accrual rate of 5.00%

<sup>3</sup> Combined CVD and ADD accrual rate of 7.42%

**Canfor Corporation**  
**Lumber: Q2 2022 vs. Q1 2022**



	Q2 2022	Q1 2022	Variance
(millions of dollars unless otherwise noted)			
Sales	\$ 1,884.3	\$ 1,993.7	\$ (109.4)
Operating income before amortization, as reported	\$ 626.6	\$ 851.3	\$ (224.7)
Operating income	\$ 552.1	\$ 783.0	\$ (230.9)
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 1,106	\$ 1,613	\$ (507)
Average SYP East 2x4 #2 lumber price in US\$	\$ 769	\$ 1,372	\$ (603)
Average SYP East 2x6 #2 lumber price in US\$	\$ 556	\$ 1,102	\$ (546)
Production - Western SPF lumber (MMfbm)	658	652	6
Production - SYP lumber (MMfbm)	409	420	(11)
Production - EUR lumber (MMfbm)	366	376	(10)
Shipments - Canfor-produced Western SPF lumber (MMfbm)	681	585	96
Shipments - Canfor-produced SYP lumber (MMfbm)	423	399	24
Shipments - Canfor-produced EUR lumber (MMfbm)	424	423	1

**Lumber earnings of \$552 million, down \$231 million from Q1**

- Downward pressure on North American lumber market fundamentals driven by elevated interest rates & rising inflation led to significant downward correction in North American benchmark pricing, mitigated in part by increased shipment volumes & strong European operating results
- **Western Canada:** Steep decline in benchmark pricing reflected in Western SPF unit sales realizations, moderated in part by relatively stable offshore pricing to Japan & favourable lag in shipments (vs orders); uplift in shipment volumes driven by full quarter of Millar Western & slightly improved rail service conditions
- **US South:** Significant drop in SYP 2x4 #2 & SYP 2x6 #2 pricing resulted in material decrease in SYP unit sales realizations, offset to a degree, by less pronounced declines for certain wider-width products (particularly 2x12); increase in shipments due to marginally improved rail transportation
- **Europe:** Moderate uptick in European unit sales realizations tied to higher European market pricing (due largely to traditional quarterly timing lag)

## Canfor Pulp Products Inc. Pulp: Q2 2022 vs. Q1 2022



(millions of dollars unless otherwise noted)	Q2 2022	Q1 2022	Variance
Gross Sales	\$ 287.5	\$ 219.6	\$ 67.9
Reported operating income (loss) by segment:			
Pulp	\$ (11.1)	\$ (29.3)	\$ 18.2
Paper	\$ 6.2	\$ 6.0	\$ 0.2
Unallocated	\$ (3.2)	\$ (2.7)	\$ (0.5)
<b>Total operating loss, as reported</b>	<b>\$ (8.1)</b>	<b>\$ (26.0)</b>	<b>\$ 17.9</b>
Inventory write-down (recovery)	\$ 0.5	\$ (1.1)	\$ 1.6
<b>Total operating loss, as adjusted</b>	<b>\$ (7.6)</b>	<b>\$ (27.1)</b>	<b>\$ 19.5</b>
Reported operating income (loss) before amortization:			
Pulp	\$ 12.2	\$ (9.7)	\$ 21.9
Paper	\$ 6.7	\$ 6.5	\$ 0.2
Unallocated	\$ (3.2)	\$ (2.7)	\$ (0.5)
<b>Total operating loss before amortization, as reported</b>	<b>\$ 15.7</b>	<b>\$ (5.9)</b>	<b>\$ 21.6</b>
Inventory write-down (recovery)	\$ 0.5	\$ (1.1)	\$ 1.6
<b>Total operating loss before amortization, as adjusted</b>	<b>\$ 16.2</b>	<b>\$ (7.0)</b>	<b>\$ 23.2</b>
Average NBSK pulp list price delivered to China - US\$	\$ 1,008	\$ 899	\$ 109
Average NBSK pulp list price delivered to China - CDN\$	\$ 1,287	\$ 1,139	\$ 148
Production - Pulp (000 mt)	187	176	11
Shipments - Pulp (000 mt)	205	176	29

### Canfor Pulp operating loss of \$8 million, \$18 million favourable to Q1

- Following the sharp improvement in global softwood pulp market fundamentals earlier in the year, ongoing global logistics constraints & unplanned global production outages resulted in strong global pulp market conditions and near-record high US-dollar pulp list prices throughout Q2
- Substantial increase in NBSK pulp unit sales realizations driven by higher list prices & favourable lag in shipments (versus orders)
- Higher pulp shipments reflected improved production & slight alleviation of transportation challenges in BC towards the end of the quarter
- Increased production of ~11,000 tonnes as productivity was maximized to available transportation despite logistics related downtime at Taylor (~60,000 tonnes), the completion of Northwood's recovery boiler number one (RB1) capital upgrade (~10,000 tonnes) & Northwood scheduled maintenance (~30,000 tonnes)