

**Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 1, 2020  
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**  
**Q1 2020 Review: Items Impacting Earnings (Loss) Comparability**



(millions of dollars, except for per share amounts)	Q1 2020		Q4 2019	
	\$	\$/Share	\$	\$/Share
Shareholder net loss, as reported	\$ (70.0)	\$ (0.56)	\$ (39.1)	\$ (0.31)
Non-operating items (after-tax, net of non-controlling interests)				
Countervailing and anti-dumping duty deposit expense, net	\$ 32.4	\$ 0.26	\$ 31.9	\$ 0.25
Foreign exchange loss (gain) on long-term debt and duty deposits recoverable, net	\$ 13.1	\$ 0.10	\$ (3.6)	\$ (0.03)
Loss (gain) on derivative financial instruments	\$ (2.4)	\$ (0.03)	\$ 0.2	\$ -
Restructuring costs	\$ 0.7	\$ 0.02	\$ 2.4	\$ 0.03
Net impact of above items	\$ 43.8	\$ 0.35	\$ 30.9	\$ 0.25
Shareholder net loss, as adjusted	\$ (26.2)	\$ (0.21)	\$ (8.2)	\$ (0.06)

## Canfor Corporation Sales and Operating Earnings (Loss) Summary



(millions of dollars unless otherwise noted)	Q1 2020	Q4 2019	Variance
Gross sales	\$ 1,170.7	\$ 1,105.2	\$ 65.5
Reported operating income (loss) by segment:			
Lumber	\$ (89.1)	\$ (27.5)	\$ (61.6)
Pulp and Paper	\$ 6.1	\$ (23.5)	\$ 29.6
Unallocated and Other	\$ (5.8)	\$ (8.6)	\$ 2.8
<b>Total operating loss, as reported</b>	<b>\$ (88.8)</b>	<b>\$ (59.6)</b>	<b>\$ (29.2)</b>
Countervailing and anti-dumping duties, net	\$ 44.4	\$ 43.7	\$ 0.7
Inventory write-down (recovery), net	\$ 52.3	\$ (19.9)	\$ 72.2
Restructuring costs	\$ 1.0	\$ 3.3	\$ (2.3)
<b>Total operating income (loss), as adjusted</b>	<b>\$ 8.9</b>	<b>\$ (32.5)</b>	<b>\$ 41.4</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.744	\$ 0.758	\$ (0.014)
Average exchange rate (SEK per C\$1.00)	7.203	7.281	(0.078)

Reported operating income (loss) before amortization			
Lumber	\$ (16.6)	\$ 43.7	\$ (60.3)
Pulp and Paper	\$ 27.7	\$ 0.1	\$ 27.6
Unallocated and Other	\$ (5.5)	\$ (8.2)	\$ 2.7
<b>Total operating income (loss) before amortization, as reported</b>	<b>\$ 5.6</b>	<b>\$ 35.6</b>	<b>\$ (30.0)</b>
Countervailing and anti-dumping duties, net	\$ 44.4	\$ 43.7	\$ 0.7
Inventory write-down (recovery), net	\$ 52.3	\$ (19.9)	\$ 72.2
Restructuring costs	\$ 1.0	\$ 3.3	\$ (2.3)
<b>Total operating income before amortization, as adjusted</b>	<b>\$ 103.3</b>	<b>\$ 62.7</b>	<b>\$ 40.6</b>

## Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q1 2020	Q4 2019	Variance
<b>Effective Duties by Quarter:</b>			
Cash deposits paid <sup>1</sup>	\$ 33.1	\$ 33.2	\$ (0.1)
Incremental duty expense, attributable to current quarter <sup>2</sup>	\$ 11.3	\$ 10.5	\$ 0.8
<b>Duty expense, net, as reported<sup>3</sup></b>	<b>\$ 44.4</b>	<b>\$ 43.7</b>	<b>\$ 0.7</b>

<sup>1</sup> Combined CVD and ADD deposit rate of 20.52%

<sup>2</sup> Expense reflects estimated ADD accrual rate of 16.00%

<sup>3</sup> Combined CVD and ADD rate of 29.24%

## Canfor Corporation Q1 2020 vs. Q4 2019



(millions of dollars unless otherwise noted)	Q1 2020	Q4 2019	Variance
Sales	\$ 895.2	\$ 857.8	\$ 37.4
Operating income (loss) before amortization, as reported	\$ (16.6)	\$ 43.7	\$ (60.3)
Operating loss, as reported	\$ (89.1)	\$ (27.5)	\$ (61.6)
Operating income, as adjusted	\$ 19.3	\$ 2.6	\$ 16.7
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 536	\$ 501	\$ 35
Average SYP East 2x4 #2 lumber price in US\$	\$ 386	\$ 406	\$ (20)
Average European indicative SPF lumber price in SEK <sup>5</sup>	3,352	3,540	(188)
Production - Western SPF lumber (MMfbm)	628	606	22
Production - SYP lumber (MMfbm)	364	354	10
Production - EUR SPF lumber (MMfbm)	293	286	7
Shipments - Canfor-produced Western SPF lumber (MMfbm)	574	624	(50)
Shipments - Canfor-produced SYP lumber (MMfbm)	363	342	21
Shipments - Canfor-produced EUR SPF lumber (MMfbm)	314	258	56

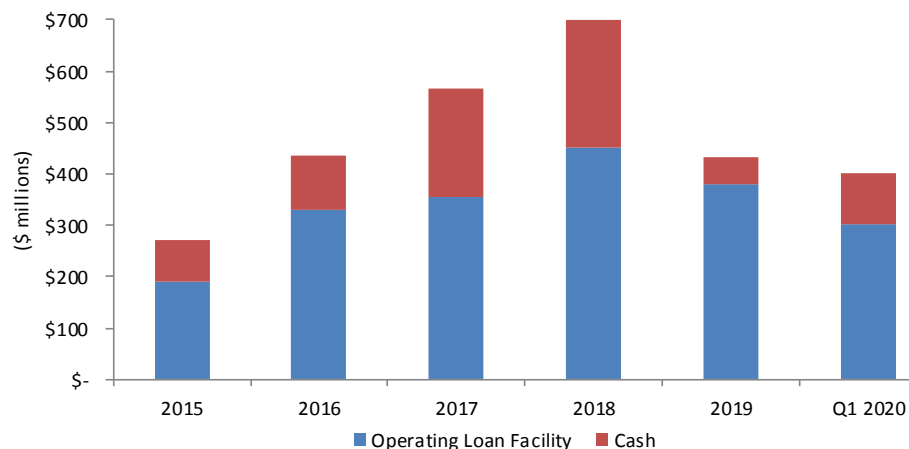
### Adjusted lumber operating income of \$19 million, up \$17 million from Q4

- Moderate up-tick in global lumber market fundamentals early in the quarter, followed by sharp declines related to COVID-19 in March
- **Europe:** Strong contribution to results – substantially higher shipment volumes tempered by modest decline in European SPF benchmark pricing and seasonally higher unit manufacturing costs
- **US South:** Slight increase over prior quarter – moderate increase in shipments offset in part by relatively flat SYP unit sales realizations
- **Western Canada:** Modest improvement over previous quarter – Increase in Western SPF benchmark pricing early in the quarter, combined with lower log costs, more than outweighed COVID-19-related pricing and shipment declines in March
- Extensive capacity reductions (approx. 237 MMfbm across all three operating regions) announced late March/early April in response to the pandemic

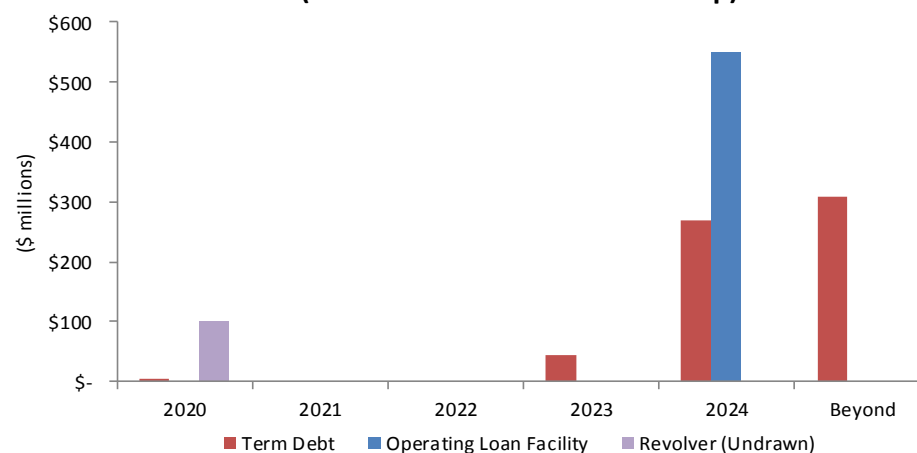
## Canfor Corporation Liquidity Update



**Available Liquidity  
(Canfor Excl. Canfor Pulp)**



**Scheduled Maturities\*  
(Canfor Excl. Vida and Canfor Pulp)**



**Canfor (excluding Canfor Pulp) had available liquidity of approximately \$400 million at end of Q1 2020**

### **A number of initiatives underway to preserve balance sheet strength in response to COVID-19:**

- \$20 million reduction of planned capital expenditures (excluding Canfor Pulp). Currently anticipating lumber segment capital spend of \$90 million in 2020, of which approximately \$25 million relates to European operations (total lumber segment capital spend reduced by approximately \$110 million from 2019)
- Accelerated filing of tax returns supporting early receipt of tax refunds (~\$125 million anticipated by end of 2020)
- Significant focus on reducing working capital, with liquidity in the second quarter anticipated to benefit from a seasonal unwind of inventory
- Suspension of all non-essential overhead, disciplined cash management and payment deferral programs supporting liquidity
- Undrawn revolving credit facility currently set to expire in late 2020; no scheduled debt maturities until late 2023
- Vida retains strong liquidity position with cash of approximately \$50 million; operating lines renewed annually
- The Company remains in full compliance with all covenants relating to operating loan facilities and long-term debt and expects to remain so for the foreseeable future

## Canfor Pulp Products Inc. Q1 2020 vs. Q4 2019 and Sales and Operating Earnings (Loss) Summary



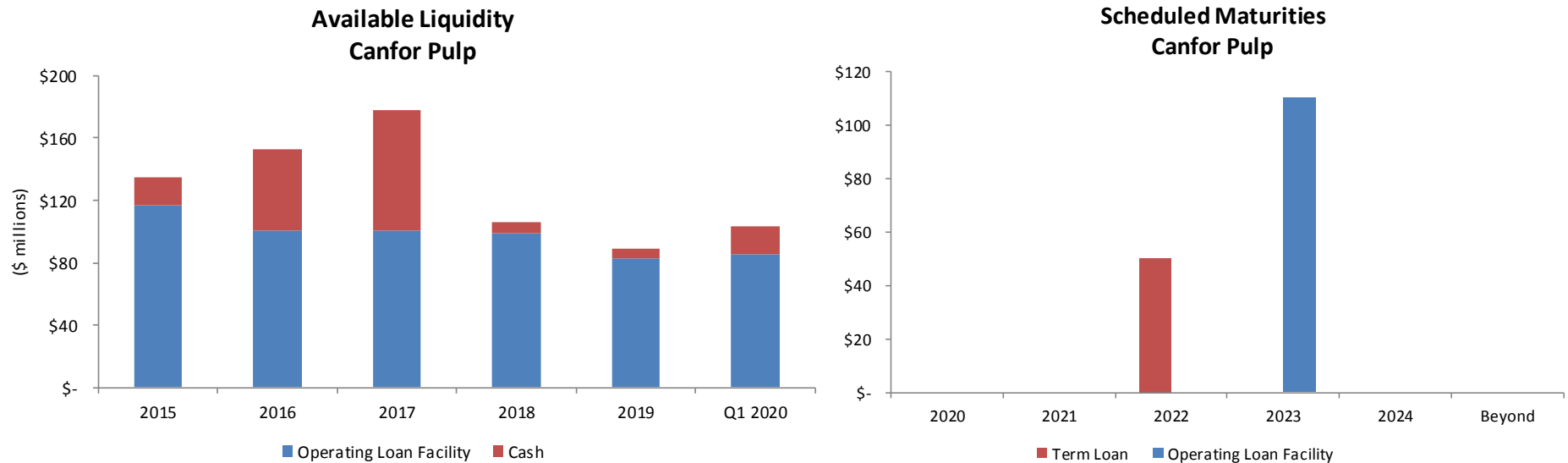
(millions of dollars unless otherwise noted)	Q1 2020	Q4 2019	Variance
Gross Sales	\$ 275.5	\$ 247.5	\$ 28.0
Reported operating income (loss) by segment:			
Pulp	\$ 1.1	\$ (26.8)	\$ 27.9
Paper	\$ 6.8	\$ 5.0	\$ 1.8
Unallocated	\$ (1.8)	\$ (1.7)	\$ (0.1)
<b>Total operating income (loss)</b>	<b>\$ 6.1</b>	<b>\$ (23.5)</b>	<b>\$ 29.6</b>
Inventory recovery	\$ (10.7)	\$ (3.0)	\$ (7.7)
<b>Total operating loss, as adjusted</b>	<b>\$ (4.6)</b>	<b>\$ (26.5)</b>	<b>\$ 21.9</b>
Reported operating income (loss) before amortization by segment:			
Pulp	\$ 22.0	\$ (4.0)	\$ 26.0
Paper	\$ 7.5	\$ 5.8	\$ 1.7
Unallocated	\$ (1.8)	\$ (1.7)	\$ (0.1)
<b>Total operating income before amortization</b>	<b>\$ 27.7</b>	<b>\$ 0.1</b>	<b>\$ 27.6</b>
Inventory recovery	\$ (10.7)	\$ (3.0)	\$ (7.7)
<b>Total operating income (loss) before amortization, as adjusted</b>	<b>\$ 17.0</b>	<b>\$ (2.9)</b>	<b>\$ 19.9</b>
Average NBSK pulp list price delivered to China - US\$ <sup>6</sup>	\$ 573	\$ 563	\$ 10
Average NBSK pulp list price delivered to China - CDN\$ <sup>6</sup>	\$ 770	\$ 743	\$ 27
Production - Pulp (000 mt)	298	286	12
Shipments - Pulp (000 mt)	290	267	23

### Canfor Pulp adjusted operating loss of \$5 million, improvement of \$22 million from Q4 loss

- Modest rebound in Asian pulp markets early in the quarter dampened by the impacts of COVID-19; solid tissue demand partially offset weakness in other segments
- Global softwood pulp inventories ending February 2020 well above the balanced range at 37 days of supply
- Higher shipments tied to increased production and pick-up in China purchasing, outweighed transportation challenges
- Solid operating performance and lower pulp unit manufacturing costs following market-related curtailment of the PG pulp mill in the prior quarter
- Three-week curtailment of Northwood pulp mill (approx. 35,000 tonnes in Q2 2020) announced late March in response to the pandemic



## Canfor Pulp Products Inc. Liquidity Update



### Canfor Pulp had available liquidity of approximately \$100 million at end of Q1 2020

- Significantly reduced capital spend in 2020 supporting balance sheet strength with planned capital expenditures reduced by \$15 million in response to COVID-19
- Suspension of all non-essential overhead, disciplined cash management and payment deferral programs supporting liquidity
- Suspension of quarterly dividend for the foreseeable future recognizing the unprecedented challenges facing the global economy and the Company's cash preservation efforts
- Previously announced \$40 million cost reduction initiative underway, with full benefits achieved by end of 2021
- \$50 million term debt matures in late 2022, with available operating line providing adequate liquidity for the foreseeable future
- The Company remains in full compliance with all covenants relating to operating loan facilities and long-term debt and expects to remain so for the foreseeable future