

**Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 4, 2020  
Financial Performance Overview**



Presented by:

Alan Nicholl – CFO & Executive VP, Finance & Canfor Pulp Operations

## 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**  
**Q4 2020 Review: Items Impacting Earnings Comparability**



(millions of dollars, except for per share amounts)	Q4 2020		Q3 2020	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 335.6	\$ 2.68	\$ 218.1	\$ 1.74
Non-operating items (after-tax, net of non-controlling interests)				
Countervailing and anti-dumping duty deposit expense (recovery), net	\$ (69.7)	\$ (0.55)	\$ 37.0	\$ 0.30
Foreign exchange gain on long-term debt and duty deposits recoverable, net	\$ (5.7)	\$ (0.05)	\$ (1.0)	\$ (0.01)
Loss (gain) on derivative financial instruments	\$ (2.2)	\$ (0.02)	\$ 5.3	\$ 0.04
Net impact of above items	\$ (77.6)	\$ (0.62)	\$ 41.3	\$ 0.33
Shareholder net income, as adjusted	\$ 258.0	\$ 2.06	\$ 259.4	\$ 2.07

## Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q4 2020	Q3 2020	Variance
Gross sales	\$ 1,618.0	\$ 1,550.4	\$ 67.6
Reported operating income (loss) by segment:			
Lumber	\$ 461.0	\$ 336.7	\$ 124.3
Pulp and Paper	\$ (28.3)	\$ (27.6)	\$ (0.7)
Unallocated and Other	\$ (13.1)	\$ (9.5)	\$ (3.6)
<b>Total operating income, as reported</b>	<b>\$ 419.6</b>	<b>\$ 299.6</b>	<b>\$ 120.0</b>
Countervailing and anti-dumping duties, net	\$ (95.5)	\$ 50.7	\$ (146.2)
Inventory write-down recovery	\$ (3.0)	\$ (3.0)	\$ -
<b>Total operating income, as adjusted</b>	<b>\$ 321.1</b>	<b>\$ 347.3</b>	<b>\$ (26.2)</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.767	\$ 0.751	\$ 0.016
Average exchange rate (SEK per C\$1.00)	6.608	6.650	(0.042)

Reported operating income (loss) before amortization			
Lumber	\$ 539.0	\$ 411.0	\$ 128.0
Pulp and Paper	\$ (6.2)	\$ (8.7)	\$ 2.5
Unallocated and Other	\$ (12.8)	\$ (9.2)	\$ (3.6)
<b>Total operating income before amortization, as reported</b>	<b>\$ 520.0</b>	<b>\$ 393.1</b>	<b>\$ 126.9</b>
Countervailing and anti-dumping duties, net	\$ (95.5)	\$ 50.7	\$ (146.2)
Inventory write-down recovery	\$ (3.0)	\$ (3.0)	\$ -
<b>Total operating income before amortization, as adjusted</b>	<b>\$ 421.5</b>	<b>\$ 440.8</b>	<b>\$ (19.3)</b>

## Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars) Effective Duties by Quarter:	Q4 2020	Q3 2020	Variance
Cash deposits paid <sup>1</sup>	\$ 46.5	\$ 64.2	\$ (17.7)
Incremental duty recovery, attributable to current quarter <sup>2</sup>	\$ (1.5)	\$ (6.3)	\$ 4.8
<b>Effective duty expense, net, for the current quarter<sup>3</sup></b>	<b>\$ 45.0</b>	<b>\$ 57.9</b>	<b>\$ (12.9)</b>
Duty recovery, net, attributable to prior periods <sup>4</sup>	\$ (140.5)	\$ (7.2)	\$ (133.3)
<b>Duty expense (recovery), net, as reported</b>	<b>\$ (95.5)</b>	<b>\$ 50.7</b>	<b>\$ (146.2)</b>

<sup>1</sup> Combined CVD and ADD deposit rate of 4.62% in December (January - November 2020: 20.52%)

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

<sup>3</sup> Combined CVD and ADD rate of 7.63% in December (January - November 2020: 18.24%)

<sup>4</sup> Duty recovery recognized in Q4 2020 reflects the finalized rates for the first period of review, outlined below

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

- Total cumulative cash deposits paid to December 31, 2020 were \$594.0 million
- CVD: deposit rate 13.24%; final rate of 2.94% for 2017, 2.63% for 2018
- ADD: deposit rate 7.28%, accrued at estimated rate of 2.60%; final rate of 1.99% for POR1
- Total combined CVD and ADD recovery of \$140.5 million recognized in Q4 2020 upon finalization of rates, reflecting the:
  - Difference between the combined cash deposit rate of 20.52% and the final combined DOC rates for POR1 of \$214.2 million
  - Adjusted by a recovery previously recognized for accounting purposes for POR1 of \$73.7 million
- No cash duties to be refunded until litigation regarding the imposition of CVD and ADD has been settled

## Canfor Corporation Lumber: Q4 2020 vs. Q3 2020

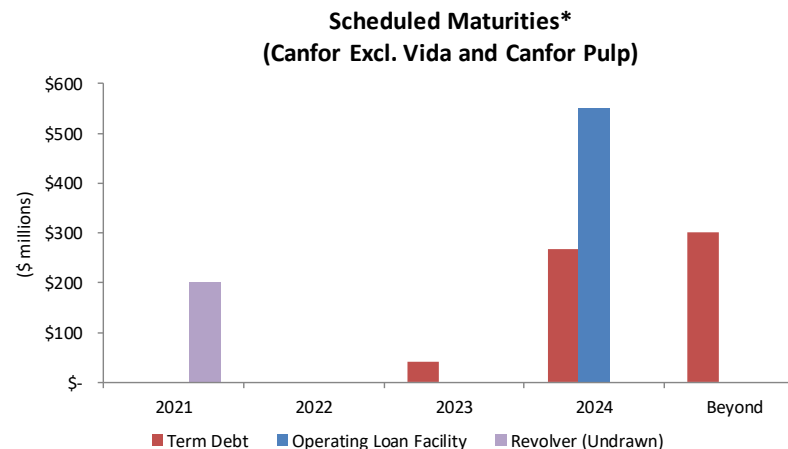
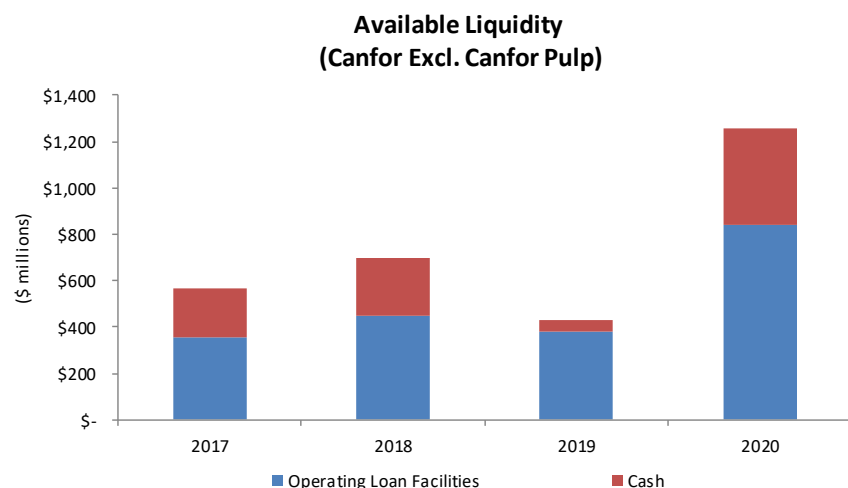


(millions of dollars unless otherwise noted)	Q4 2020	Q3 2020	Variance
Sales	\$ 1,380.2	\$ 1,324.1	\$ 56.1
Operating income before amortization, as reported	\$ 539.0	\$ 411.0	\$ 128.0
Operating income, as reported	\$ 461.0	\$ 336.7	\$ 124.3
Operating income, as adjusted	\$ 365.5	\$ 387.4	\$ (21.9)
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 911	\$ 1,022	\$ (111)
Average SYP East 2x4 #2 lumber price in US\$	\$ 777	\$ 782	\$ (5)
Average European indicative SPF lumber price in SEK <sup>5</sup>	4,115	3,414	701
Production - Western SPF lumber (MMfbm)	697	726	(29)
Production - SYP lumber (MMfbm)	433	431	2
Production - EUR SPF lumber (MMfbm)	331	261	70
Shipments - Canfor-produced Western SPF lumber (MMfbm)	733	667	66
Shipments - Canfor-produced SYP lumber (MMfbm)	438	429	9
Shipments - Canfor-produced EUR SPF lumber (MMfbm)	389	275	114

### Adjusted lumber earnings of \$366 million, down \$22 million from Q3

- Ongoing strength in global lumber market fundamentals over traditionally slower season
- **Western Canada:** Strong earnings, in line with Q3 – moderate increase in Western SPF unit sales realizations re. favourable timing lag in shipments (versus orders) & improved offshore realizations
- **US South:** Another strong quarter's earnings – lower Q/Q earnings reflecting pronounced pricing declines for wide width SYP dimension products (re. seasonal factors), which outweighed record benchmark pricing in early October/late December
- **Europe:** All-time record earnings – increase in European benchmark pricing re. strength in Europe/UK repair & remodel sector; higher shipments & production re. Bergs facilities & increased operating days (Q3: seasonal downtime)

## Canfor Corporation Liquidity Update



**Canfor (excluding Canfor Pulp) had available liquidity of approximately \$1.3 billion at end of 2020**

**Available liquidity improved by approximately \$255 million during Q4, supported by historically-high lumber prices:**

- Liquidity benefited from significant cash earnings associated with near-record high lumber prices combined with favourable working capital movements
- No amounts drawn on Canfor's (excl. Canfor Pulp and Vida) operating loan facility in the fourth quarter; no scheduled debt maturities until late 2023
- Vida retains strong liquidity position following acquisition of Bergs; cash of approximately \$29 million at end of Q4, operating lines renewed annually
- As of December 31, Canfor had paid cumulative cash duty deposits of approximately \$594 million
- 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. Pulp: Q4 2020 vs. Q3 2020



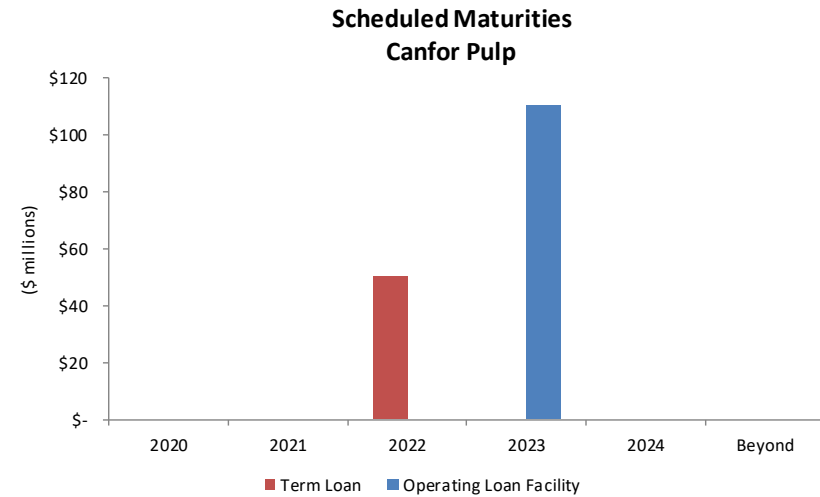
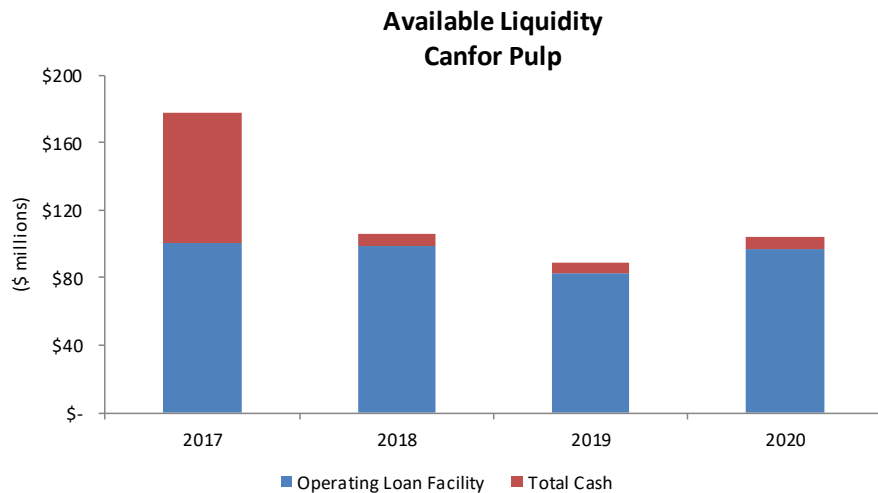
(millions of dollars unless otherwise noted)	Q4 2020	Q3 2020	Variance
Gross Sales	\$ 237.8	\$ 226.3	\$ 11.5
Reported operating income (loss) by segment:			
Pulp	\$ (30.2)	\$ (29.3)	\$ (0.9)
Paper	\$ 4.8	\$ 5.0	\$ (0.2)
Unallocated	\$ (2.9)	\$ (3.3)	\$ 0.4
<b>Total operating loss</b>	<b>\$ (28.3)</b>	<b>\$ (27.6)</b>	<b>\$ (0.7)</b>
Inventory recovery	\$ (3.0)	\$ (3.0)	\$ -
<b>Total operating loss, as adjusted</b>	<b>\$ (31.3)</b>	<b>\$ (30.6)</b>	<b>\$ (0.7)</b>
Reported operating income (loss) before amortization by segment:			
Pulp	\$ (8.9)	\$ (11.2)	\$ 2.3
Paper	\$ 5.6	\$ 5.7	\$ (0.1)
Unallocated	\$ (2.9)	\$ (3.2)	\$ 0.3
<b>Total operating loss before amortization</b>	<b>\$ (6.2)</b>	<b>\$ (8.7)</b>	<b>\$ 2.5</b>
Inventory recovery	\$ (3.0)	\$ (3.0)	\$ -
<b>Total operating loss before amortization, as adjusted</b>	<b>\$ (9.2)</b>	<b>\$ (11.7)</b>	<b>\$ 2.5</b>
Average NBSK pulp list price delivered to China - US\$	\$ 637	\$ 572	\$ 65
Average NBSK pulp list price delivered to China - CDN\$	\$ 830	\$ 761	\$ 69
Production - Pulp (000 mt)	233	227	6
Shipments - Pulp (000 mt)	258	249	9

### Canfor Pulp adjusted operating loss of \$31 million, in line with Q3

- Continued soft global pulp market conditions & weak pulp pricing for most of the quarter; uptick in December and into 2021 re. improving market fundamentals
- Relatively flat NBSK pulp unit sales realizations during the quarter; pricing uplift later in the quarter offset by timing lag in shipments (versus orders) & 2% stronger Canadian dollar
- Capital-related downtime re. Northwood's replacement of recovery boiler number five's (RB5) lower furnace; rebuild completed as planned (pulp production impact 70,000 tonnes (Q4: 60,000 tonnes) & capital cost of approx. \$27 million)



## Canfor Pulp Products Inc. Liquidity Update



### Canfor Pulp had available liquidity of approximately \$105 million at end of 2020

- \$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