

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 1, 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
Q1 2021 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q1 2021		Q4 2020	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 427.8	\$ 3.42	\$ 335.6	\$ 2.68
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange gain on term debt	\$ (2.6)	\$ (0.02)	\$ (11.7)	\$ (0.09)
Loss (gain) on derivative financial instruments	\$ 9.0	\$ 0.07	\$ (2.2)	\$ (0.02)
Net impact of above items	\$ 6.4	\$ 0.05	\$ (13.9)	\$ (0.11)
Shareholder net income, as adjusted ¹	\$ 434.2	\$ 3.47	\$ 321.7	\$ 2.57

¹ Effective Q1 2021, shareholder net income and net income per share were no longer adjusted for the after-tax impact of duty deposits, net of duties recoverable, and foreign exchange on duty deposits recoverable. The prior period above has been restated to reflect this change (\$63.2 million increase in shareholder net income and \$0.51 favourable per share impact in Q4 2020).

Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q1 2021	Q4 2020	Variance
Gross sales	\$ 1,941.8	\$ 1,618.0	\$ 323.8
Reported operating income (loss) by segment:			
Lumber	\$ 606.7	\$ 461.0	\$ 145.7
Pulp and Paper	\$ 4.9	\$ (28.3)	\$ 33.2
Unallocated and Other	\$ (9.0)	\$ (13.1)	\$ 4.1
Total operating income, as reported	\$ 602.6	\$ 419.6	\$ 183.0
Inventory write-down recovery	\$ (2.2)	\$ (3.0)	\$ 0.8
Total operating income, as adjusted¹	\$ 600.4	\$ 416.6	\$ 183.8
Average exchange rate (US\$ per C\$1.00)	\$ 0.790	\$ 0.767	\$ 0.023
Average exchange rate (SEK per C\$1.00)	6.628	6.608	0.020

Reported operating income (loss) before amortization			
Lumber	\$ 679.7	\$ 539.0	\$ 140.7
Pulp and Paper	\$ 25.7	\$ (6.2)	\$ 31.9
Unallocated and Other	\$ (8.7)	\$ (12.8)	\$ 4.1
Total operating income before amortization, as reported	\$ 696.7	\$ 520.0	\$ 176.7
Inventory write-down recovery	\$ (2.2)	\$ (3.0)	\$ 0.8
Total operating income before amortization, as adjusted¹	\$ 694.5	\$ 517.0	\$ 177.5

¹ Effective Q1 2021, operating income and operating income before amortization were no longer adjusted for the impact of duty deposits, net of duties recoverable (\$95.5 million net recovery in Q4 2020). The prior period above has been restated to reflect this change.

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q1 2021	Q4 2020	Variance
Effective Duties by Quarter:			
Cash deposits paid ¹	\$ 20.7	\$ 46.5	\$ (25.8)
Incremental duty expense (recovery), attributable to current quarter ²	\$ 10.4	\$ (1.5)	\$ 11.9
Effective duty expense, net, for the current quarter³	\$ 31.1	\$ 45.0	\$ (13.9)
Duty recovery, net, attributable to prior periods ⁴	\$ -	\$ (140.5)	\$ 140.5
Duty expense (recovery), net, as reported	\$ 31.1	\$ (95.5)	\$ 126.6

¹ Combined CVD and ADD deposit rate of 4.62% in Q1 2021 and December 2020, 20.52% in October and November 2020

² Recovery reflects estimated ADD accrual rate of 4.00% for Q1 2021, 5.00% for Q4 2020

³ Combined CVD and ADD rate of 6.63% in Q1 2021, 7.73% in December 2020 and 18.24% in October and November 2020

⁴ Duty recovery recognized in Q4 2020 reflects the finalized rates for the first period of administrative review

Canfor Corporation Lumber: Q1 2021 vs. Q4 2020



(millions of dollars unless otherwise noted)	Q1 2021	Q4 2020	Variance
Sales	\$ 1,679.5	\$ 1,380.2	\$ 299.3
Operating income before amortization, as reported	\$ 679.7	\$ 539.0	\$ 140.7
Operating income, as reported	\$ 606.7	\$ 461.0	\$ 145.7
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 1,231	\$ 911	\$ 320
Average SYP East 2x4 #2 lumber price in US\$	\$ 1,160	\$ 777	\$ 383
Average European lumber price in SEK ¹	4,572	4,115	457
Production - Western SPF lumber (MMfbm)	713	697	16
Production - SYP lumber (MMfbm)	414	433	(19)
Production - EUR lumber (MMfbm)	347	331	16
Shipments - Canfor-produced Western SPF lumber (MMfbm)	664	733	(69)
Shipments - Canfor-produced SYP lumber (MMfbm)	390	438	(48)
Shipments - Canfor-produced EUR lumber (MMfbm)	395	389	6

Record-high lumber earnings of \$607 million, up \$146 million from Q4

- Exceptionally strong global lumber market fundamentals principally driven by sustained high levels of North American demand
- **Western Canada:** Substantial increase in Western SPF unit sales realizations re. record benchmark pricing & lower duties outweighed higher market-related log costs, lower shipments & stronger Canadian dollar
- **US South:** Material increase in SYP unit sales realizations re. historically high SYP 2x4 East benchmark pricing & more pronounced increases in wider-width dimensions, offset in part by lower shipments
- **Europe:** Substantial uplift in European unit sales realizations, albeit less pronounced than Western SPF & SYP in North America re. strengthening European market demand, favourable geographic sales mix & significantly higher North American US-dollar pricing, partially offset by modest uplift in log costs (market-related)

Canfor Pulp Products Inc. Pulp: Q1 2021 vs. Q4 2020



(millions of dollars unless otherwise noted)	Q1 2021	Q4 2020	Variance
Gross Sales	\$ 262.3	\$ 237.8	\$ 24.5
Reported operating income (loss) by segment:			
Pulp	\$ 3.7	\$ (30.2)	\$ 33.9
Paper	\$ 4.2	\$ 4.8	\$ (0.6)
Unallocated	\$ (3.0)	\$ (2.9)	\$ (0.1)
Total operating income (loss)	\$ 4.9	\$ (28.3)	\$ 33.2
Inventory recovery	\$ (2.2)	\$ (3.0)	\$ 0.8
Total operating income (loss), as adjusted	\$ 2.7	\$ (31.3)	\$ 34.0
Reported operating income (loss) before amortization by segment:			
Pulp	\$ 23.8	\$ (8.9)	\$ 32.7
Paper	\$ 4.9	\$ 5.6	\$ (0.7)
Unallocated	\$ (3.0)	\$ (2.9)	\$ (0.1)
Total operating income (loss) before amortization	\$ 25.7	\$ (6.2)	\$ 31.9
Inventory recovery	\$ (2.2)	\$ (3.0)	\$ 0.8
Total operating income (loss) before amortization, as adjusted	\$ 23.5	\$ (9.2)	\$ 32.7
Average NBSK pulp list price delivered to China - US\$	\$ 883	\$ 637	\$ 246
Average NBSK pulp list price delivered to China - CDN\$	\$ 1,118	\$ 830	\$ 288
Production - Pulp (000 mt)	292	233	59
Shipments - Pulp (000 mt)	265	258	7

Canfor Pulp operating income of \$5 million, improvement of \$33 million from Q4 loss

- Surge in US-dollar pulp list prices re. uptick in demand (esp. China), global logistic constraints & strong price increases on Shanghai Futures Exchange; majority of gains re. record pricing to be realized in Q2 due to a lag in shipments (versus orders)
- Significant increase in NBSK pulp unit sales realizations re. higher list pricing more than offset 3% stronger Canadian dollar
- Pulp production up 25% quarter-over-quarter re. completion of Northwood's recovery boiler number five (RB5) rebuild mid-January