

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 4, 2021
Financial Performance Overview**



Presented by:

Pat Elliott – CFO & SVP, Sustainability

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 year ended December 31, 2021, 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
Q4 2021 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q4 2021		Q3 2021	
	\$	\$/Share	\$	\$/Share
Shareholder net income (loss), as reported	\$ (23.1)	\$ (0.19)	\$ 210.0	\$ 1.68
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange loss on term debt	\$ 0.2	\$ -	\$ 2.6	\$ 0.02
(Gain) loss on derivative financial instruments	\$ 3.0	\$ 0.02	\$ (0.8)	\$ -
Asset impairments	\$ 182.9	\$ 1.47	\$ -	\$ -
Restructuring, mill closure and other items, net	\$ (8.4)	\$ (0.06)	\$ (2.8)	\$ (0.02)
Net impact of above items	\$ 177.7	\$ 1.43	\$ (1.0)	\$ -
Shareholder net income, as adjusted	\$ 154.6	\$ 1.24	\$ 209.0	\$ 1.68

Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q4 2021	Q3 2021	Variance
Gross sales	\$ 1,571.3	\$ 1,676.6	\$ (105.3)
Reported operating income (loss) by segment:			
Lumber	\$ 86.3	\$ 326.1	\$ (239.8)
Pulp and Paper	\$ (137.2)	\$ 15.8	\$ (153.0)
Unallocated and Other	\$ (15.9)	\$ (10.9)	\$ (5.0)
Total operating income (loss), as reported	\$ (66.8)	\$ 331.0	\$ (397.8)
Asset impairments	\$ 293.5	\$ -	\$ 293.5
Inventory write-down	\$ 1.1	\$ 3.5	\$ (2.4)
Restructuring, mill closure and other items, net	\$ (11.5)	\$ (3.8)	\$ (7.7)
Total operating income, as adjusted	\$ 216.3	\$ 330.7	\$ (114.4)
Average exchange rate (US\$ per C\$1.00)	\$ 0.794	\$ 0.794	\$ -
Average exchange rate (SEK per C\$1.00)	7.026	6.865	0.161

Reported operating income (loss) before amortization and impairments			
Lumber	\$ 356.8	\$ 398.1	\$ (41.3)
Pulp and Paper	\$ (19.6)	\$ 37.8	\$ (57.4)
Unallocated and Other	\$ (15.5)	\$ (10.5)	\$ (5.0)
Total operating income before amortization and impairments, as reported	\$ 321.7	\$ 425.4	\$ (103.7)
Inventory write-down	\$ 1.1	\$ 3.5	\$ (2.4)
Restructuring, mill closure and other items, net	\$ (11.5)	\$ (3.8)	\$ (7.7)
Total operating income before amortization and impairments, as adjusted	\$ 311.3	\$ 425.1	\$ (113.8)

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q4 2021	Q3 2021	Variance
Effective Duties by Quarter:			
Cash deposits paid ¹	\$ 26.4	\$ 11.4	\$ 15.0
Incremental duty expense (recovery), attributable to current quarter ²	\$ (2.6)	\$ 6.6	\$ (9.2)
Effective duty expense, net, for the current quarter³	\$ 23.8	\$ 18.0	\$ 5.8
Duty expense, net, attributable to prior quarters ⁴	\$ 23.8	\$ 20.4	\$ 3.4
Duty recovery, net, attributable to second period of administrative review ⁵	\$ (48.7)	\$ -	\$ (48.7)
Duty expense (recovery), net, as reported	\$ (1.1)	\$ 38.4	\$ (39.5)

¹ Combined CVD and ADD deposit rate of 4.62% from January to November 2021 and 19.54% in December 2021

² Recovery reflects estimated ADD accrual rate of 7.00% for Q4 2021

³ Combined CVD and ADD rate of 9.63% from January to November 2021 and 9.42% in December 2021

⁴ Q4 2021 expense reflects a 2.00% increase in the estimated ADD accrual rate applicable to Q1-Q3 2021 during the fourth period of administrative review (January 2021 to December 2021)

⁵ Duty recovery, net, of \$48.7 million recognized in Q4 2021 reflects the finalized rates for the second period of administrative review

Final results of the second period of review (“POR2”) (2019) announced by US Department of Commerce (“DOC”) in November 2021:

- Total cumulative cash deposits paid to December 31, 2021, were \$682.5 million
- CVD: deposit rate 13.24%; final rate of 2.42% for POR2
- ADD: deposit rate 7.28%, accrued at estimated rate of 16.00%; final rate of 17.12% for POR2
- Total combined CVD and ADD recovery, net, of \$48.7 million (US\$36.7 million) recognized in Q4 2021 upon finalization of rates
- No cash duties to be refunded until litigation regarding the imposition of CVD and ADD has been settled

Preliminary results of the third period of review (“POR3”) (2020) announced by US DOC in January 2022:

- CVD: deposit rate 13.24% for most of 2020; preliminary rate of 1.83% for POR3
- ADD: deposit rate 7.28% for most of 2020; accrued at estimated rate of 5.00%; preliminary rate of 4.92% for POR3
- Total combined CVD and ADD recovery, net, of approximately \$88.8 million (US\$66.5 million) to be recognized upon finalization of rates (currently anticipated in Q3 2022)

Canfor Corporation Lumber: Q4 2021 vs. Q3 2021



(millions of dollars unless otherwise noted)	Q4 2021	Q3 2021	Variance
Sales	\$ 1,322.0	\$ 1,377.9	\$ (55.9)
Operating income before amortization and impairment, as reported	\$ 356.8	\$ 398.1	\$ (41.3)
Operating income, as reported	\$ 86.3	\$ 326.1	\$ (239.8)
Adjusted operating income	\$ 273.3	\$ 322.3	\$ (49.0)
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 895	\$ 622	\$ 273
Average SYP East 2x4 #2 lumber price in US\$	\$ 862	\$ 533	\$ 329
Average SYP East 2x6 #2 lumber price in US\$	\$ 538	\$ 407	\$ 131
Production - Western SPF lumber (MMfbm)	529	550	(21)
Production - SYP lumber (MMfbm)	379	413	(34)
Production - EUR lumber (MMfbm)	383	316	67
Shipments - Canfor-produced Western SPF lumber (MMfbm)	517	570	(53)
Shipments - Canfor-produced SYP lumber (MMfbm)	377	440	(63)
Shipments - Canfor-produced EUR lumber (MMfbm)	426	306	120

Adjusted lumber earnings of \$273 million, down \$49 million from Q3

- Upward trend in North American benchmark lumber prices offset by slightly lower unit sales realizations in Western Canada and Europe & the impacts of transportation-related reductions in North American production and shipment volumes
- **Western Canada:** Modest decrease in Western SPF unit sales realizations as uplift in benchmark pricing was offset by decline in offshore realizations (Japan), combined with lower production & shipments tied to reduced operating schedules and severe weather, and increased log costs re. stumpage
- **US South:** Significant increase in SYP unit sales realizations tied to notable higher SYP 2x4 #2 pricing & more moderate increases in wider-width products; offset in part by lower production & shipments driven by log shortages, reduced trucking availability & the impacts of COVID-19
- **Europe:** Strong quarterly results, realizing the benefit of increased operating hours, after seasonal downtime in the summer; slight decline in market demand & pricing in Europe, following significant strength in prior quarters

Canfor Pulp Products Inc. Pulp: Q4 2021 vs. Q3 2021



(millions of dollars unless otherwise noted)	Q4 2021	Q3 2021	Variance
Gross Sales	\$ 249.3	\$ 298.7	\$ (49.4)
Reported operating income (loss) by segment:			
Pulp	\$ (135.2)	\$ 22.1	\$ (157.3)
Paper	\$ 1.7	\$ (2.5)	\$ 4.2
Unallocated	\$ (3.7)	\$ (3.8)	\$ 0.1
Total operating income (loss), as reported	\$ (137.2)	\$ 15.8	\$ (153.0)
Asset impairment	\$ 95.0	\$ -	\$ 95.0
Inventory write-down	\$ 1.1	\$ 3.5	\$ (2.4)
Total operating income (loss), as adjusted	\$ (41.1)	\$ 19.3	\$ (60.4)
Reported operating income (loss) before amortization and impairment:			
Pulp	\$ (18.1)	\$ 43.4	\$ (61.5)
Paper	\$ 2.2	\$ (1.9)	\$ 4.1
Unallocated	\$ (3.7)	\$ (3.7)	\$ -
Total operating income (loss) before amortization and impairment, as reported	\$ (19.6)	\$ 37.8	\$ (57.4)
Inventory write-down	\$ 1.1	\$ 3.5	\$ (2.4)
Total operating income (loss) before amortization and impairment, as adjusted	\$ (18.5)	\$ 41.3	\$ (59.8)
Average NBSK pulp list price delivered to China - US\$	\$ 723	\$ 832	\$ (109)
Average NBSK pulp list price delivered to China - CDN\$	\$ 911	\$ 1,048	\$ (137)
Production - Pulp (000 mt)	190	247	(57)
Shipments - Pulp (000 mt)	216	241	(25)

Canfor Pulp adjusted operating loss of \$41 million, versus operating income of \$19 million in Q3

- Weaker global pulp market conditions from prior quarter continued into fourth quarter, combined with the significant impact of severe weather on operations & shipments, resulting in curtailments at Northwood & Taylor
- Capital-related downtime at Northwood related to the rebuild of recovery boiler number one (RB1); rebuild progressing as planned (pulp production impact ~80,000 tonnes (Q4: 10,000 tonnes) & capital cost of approx. \$30 million)
- Notable decline in NBSK pulp unit sales unit realizations re. lower US-dollar list prices; significant downward trend in BCTMP list prices & unit realizations