

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 4, 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 year ended December 31, 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, 2022.

Canfor Corporation
Q4 2022 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q4 2022		Q3 2022	
	\$	\$/Share	\$	\$/Share
Shareholder net income (loss), as reported	\$ (207.9)	\$ (1.70)	\$ 87.4	\$ 0.71
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on term debt	\$ (1.7)	\$ (0.01)	\$ 10.6	\$ 0.09
(Gain) loss on derivative financial instruments	\$ (2.0)	\$ (0.02)	\$ 0.5	\$ -
Asset write-downs and impairments	\$ 84.8	\$ 0.69	\$ -	\$ -
Net impact of above items	\$ 81.1	\$ 0.66	\$ 11.1	\$ 0.09
Shareholder net income (loss), as adjusted	\$ (126.8)	\$ (1.04)	\$ 98.5	\$ 0.80

Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q4 2022	Q3 2022	Variance
Gross sales	\$ 1,373.3	\$ 1,666.4	\$ (293.1)
Reported operating income (loss) by segment:			
Lumber	\$ (199.5)	\$ 101.6	\$ (301.1)
Pulp and Paper	\$ (91.1)	\$ 19.2	\$ (110.3)
Unallocated and Other	\$ (17.4)	\$ (12.2)	\$ (5.2)
Total operating income (loss), as reported	\$ (308.0)	\$ 108.6	\$ (416.6)
Asset write-downs and impairments	\$ 138.6	\$ -	\$ 138.6
Inventory write-down, net	\$ 5.6	\$ 88.5	\$ (82.9)
Total operating income (loss), as adjusted	\$ (163.8)	\$ 197.1	\$ (360.9)
Average exchange rate (US\$ per C\$1.00)	\$ 0.736	\$ 0.766	\$ (0.029)
Average exchange rate (SEK per C\$1.00)	7.891	8.082	(0.191)

Reported operating income (loss) before amortization, asset write-downs and impairments:			
Lumber	\$ (30.6)	\$ 176.6	\$ (207.2)
Pulp and Paper	\$ (15.1)	\$ 46.7	\$ (61.8)
Unallocated and Other	\$ (16.9)	\$ (11.8)	\$ (5.1)
Total operating income (loss) before amortization, asset write-downs and impairments, as reported	\$ (62.6)	\$ 211.5	\$ (274.1)
Inventory write-down, net	\$ 5.6	\$ 88.5	\$ (82.9)
Total operating income (loss) before amortization, asset write-downs and impairments, as adjusted	\$ (57.0)	\$ 300.0	\$ (357.0)

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q4 2022	Q3 2022	Variance
Effective Duties by Quarter:			
Cash deposits paid ¹	\$ 9.7	\$ 28.6	\$ (18.9)
Incremental duty expense (recovery) attributable to current quarter ²	\$ 22.8	\$ (8.0)	\$ 30.8
Effective duty expense, net, for the current quarter³	\$ 32.5	\$ 20.6	\$ 11.9
Duty expense , net, attributable to prior quarters ⁴	\$ 22.5	\$ -	\$ 22.5
Duty recovery, net, attributable to third period of administrative review ⁵	\$ -	\$ (97.6)	\$ 97.6
Duty expense (recovery), net, as reported	\$ 55.0	\$ (77.0)	\$ 132.0

¹ Combined CVD and ADD deposit rate of 19.54% from January to July 2022 and 5.87% thereafter

² Q4 2022 expense reflects estimated ADD accrual rate of 9.00% for Q4 2022 and 5.00% for Q3 2022

³ Combined CVD and ADD accrual rate of 11.42% from January to July 2022 and 9.95% thereafter

⁴ Q4 2022 expense reflects a 4.00% increase in the estimated ADD accrual rate applicable to Q1-Q3 2022 during the fifth period of administrative review (January to December 2022)

⁵ Duty recovery, net, of \$97.6 million recognized in Q3 2022 reflects the finalized rates for the third period of administrative review ("POR3")

Preliminary results of the fourth period of review ("POR4") (2021) announced by US Department of Commerce ("DOC") in January 2023:

- Total cumulative cash deposits paid to December 31, 2022 of \$887.9 million
- CVD: deposit rate of 2.63% for most of 2021; preliminary rate of 2.04% for POR4
- ADD: deposit rate of 1.99% for most of 2021; accrued at estimated rate of 7.00%; preliminary rate of 5.25% for POR4
- Total estimated combined CVD and ADD recovery, net, of approximately \$10.9 million (US\$8.8 million) to be recognized upon finalization of rates (currently anticipated in Q3 2023)
- No cash duties to be refunded until litigation regarding the imposition of CVD and ADD has been settled

Canfor Corporation Lumber: Q4 2022 vs. Q3 2022



(millions of dollars unless otherwise noted)	Q4 2022	Q3 2022	Variance
Sales	\$ 1,105.2	\$ 1,358.1	\$ (252.9)
Operating income (loss) before amortization, asset write-down and impairment	\$ (30.6)	\$ 176.6	\$ (207.2)
Operating income (loss), as reported	\$ (199.5)	\$ 101.6	\$ (301.1)
Asset write-down and impairment	\$ 89.0	\$ -	\$ 89.0
Inventory write-down	\$ 6.1	\$ 89.6	\$ (83.5)
Operating income (loss), as adjusted	\$ (104.4)	\$ 191.2	\$ (295.6)
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 557	\$ 757	\$ (200)
Average SYP East 2x4 #2 lumber price in US\$	\$ 451	\$ 722	\$ (271)
Average SYP East 2x6 #2 lumber price in US\$	\$ 449	\$ 459	\$ (10)
Production - Western SPF lumber (MMfbm)	507	504	3
Production - SYP lumber (MMfbm)	388	401	(13)
Production - EUR lumber (MMfbm)	349	272	77
Shipments - Canfor-produced Western SPF lumber (MMfbm)	464	595	(131)
Shipments - Canfor-produced SYP lumber (MMfbm)	371	417	(46)
Shipments - Canfor-produced EUR lumber (MMfbm)	404	299	105

Adjusted lumber operating loss of \$104 million, down \$296 million from Q3

- Results primarily reflect a challenging period for the Company's Western Canadian operations; these challenges, however, were moderated by the ongoing benefit of the Company's global diversification strategy
- Significant weakness in lumber market demand led to sharp deterioration in lumber pricing in the quarter
- Western Canada:** Substantial decline in Western SPF unit sales realizations attributed to benchmark pricing declines and lower offshore unit sales realizations; continuation of reduced operating schedules and market-driven curtailments in Q4 & announced restructuring of BC operations in early 2023
- US South:** Decrease in SYP unit sales realizations tied to decline in SYP 2x4 #2 pricing, tempered by significantly less pronounced pricing decreases for most wider-width dimensions; modestly lower production due to weather-related operational challenges
- Europe:** Moderately lower unit sales realizations driven by decline in European market pricing; increased production & shipments following Q3 seasonal downtime

Greenfield Sawmill: DeRidder, LA



Summary

- US\$195M investment
- 250 MMfbm capacity, sawmill commenced early 2023
- High-speed, top-quartile cost operation producing high value products
- Complete vision and bio-scanning to maximize grade and lumber recovery
- Modern yet proven processing technology and lumber handling
- Smart, fully connected mill supporting predictive analytics and enhanced efficiency

Strategic Alignment

- Access to an abundant supply of high-quality fibre
- Proximity to strategic customers
- Further diversification of our US South footprint

DeRidder, LA
250 MMfbm (2023)



**Greenfield Sawmill:
DeRidder, LA**



- **Project on track for completion in early 2023**



Canfor Pulp Products Inc. Pulp: Q4 2022 vs. Q3 2022



(millions of dollars unless otherwise noted)	Q4 2022	Q3 2022	Variance
Gross Sales	\$ 268.1	\$ 308.3	\$ (40.2)
Reported operating income (loss) by segment:			
Pulp	\$ (89.1)	\$ 18.6	\$ (107.7)
Paper	\$ 1.9	\$ 4.1	\$ (2.2)
Unallocated	\$ (3.9)	\$ (3.5)	\$ (0.4)
Total operating income (loss), as reported	\$ (91.1)	\$ 19.2	\$ (110.3)
Asset write-down and impairment	\$ 49.6	\$ -	\$ 49.6
Inventory write-down recovery, net	\$ (0.5)	\$ (1.1)	\$ 0.6
Total operating income (loss), as adjusted	\$ (42.0)	\$ 18.1	\$ (60.1)
Reported operating income (loss) before amortization, asset write-down and impairment:			
Pulp	\$ (13.6)	\$ 45.5	\$ (59.1)
Paper	\$ 2.4	\$ 4.6	\$ (2.2)
Unallocated	\$ (3.9)	\$ (3.4)	\$ (0.5)
Total operating income (loss) before amortization, asset write-down and impairment, as reported	\$ (15.1)	\$ 46.7	\$ (61.8)
Inventory write-down recovery, net	\$ (0.5)	\$ (1.1)	\$ 0.6
Total operating income (loss) before amortization, asset write-down and impairment, as adjusted	\$ (15.6)	\$ 45.6	\$ (61.2)
Average NBSK pulp list price delivered to China - US\$	\$ 920	\$ 969	\$ (49)
Average NBSK pulp list price delivered to China - CDN\$	\$ 1,250	\$ 1,265	\$ (15)
Production - Pulp (000 mt)	160	195	(35)
Shipments - Pulp (000 mt)	170	199	(29)

Canfor Pulp adjusted operating loss of \$42 million, down \$60 million from Q3

- Global pulp market fundamentals came under modest pressure led by a moderation of purchasing activity in Asia & increased global pulp market supply
- Slight decline in NBSK unit sales realizations as 5% decrease in NBSK list prices was mitigated by a weaker Canadian dollar (versus the US-dollar)
- Significantly lower pulp production & shipments; reduced production of ~35,000 tonnes (18%) driven by continuation of Taylor curtailment (from Feb 2022), combined with fibre-related downtime & scheduled maintenance outages at Intercon, as well as impact of winter weather conditions on operational reliability
- Announced permanent closure of the pulp line at the Prince George Pulp and Paper Mill in early 2023 following analysis of operating footprint & fibre supply