

**Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 3, 2023  
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 quarter ended September 30, 2023, 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**  
**Q3 2023 Review: Items Impacting Earnings Comparability**



(millions of dollars, except for per share amounts)	Q3 2023		Q2 2023	
	\$	\$/Share	\$	\$/Share
Shareholder net loss, as reported	\$ (23.1)	\$ (0.19)	\$ (43.9)	\$ (0.36)
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on term debt	\$ 6.4	\$ 0.05	\$ (6.7)	\$ (0.06)
(Gain) loss on derivative financial instruments	\$ (2.7)	\$ (0.02)	\$ 6.3	\$ 0.06
Net impact of above items	\$ 3.7	\$ 0.03	\$ (0.4)	\$ -
Shareholder net loss, as adjusted	\$ (19.4)	\$ (0.16)	\$ (44.3)	\$ (0.36)

# Canfor Corporation

## Sales and Operating Earnings Summary



(millions of dollars, unless otherwise noted)	Q3 2023	Q2 2023	Variance
Gross sales	\$ 1,312.3	\$ 1,446.0	\$ (133.7)
Reported operating loss by segment:			
Lumber	\$ (1.3)	\$ (15.5)	\$ 14.2
Pulp and Paper	\$ (49.3)	\$ (37.9)	\$ (11.4)
Unallocated and Other	\$ (14.5)	\$ (13.3)	\$ (1.2)
<b>Total operating loss, as reported</b>	<b>\$ (65.1)</b>	<b>\$ (66.7)</b>	<b>\$ 1.6</b>
Inventory write-down recovery, net	\$ (20.8)	\$ (57.4)	\$ 36.6
<b>Total operating loss, as adjusted</b>	<b>\$ (85.9)</b>	<b>\$ (124.1)</b>	<b>\$ 38.2</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.746	\$ 0.745	\$ 0.001
Average exchange rate (SEK per C\$1.00)	8.056	7.833	0.223
Reported operating income (loss) before amortization			
Lumber	\$ 84.1	\$ 69.0	\$ 15.1
Pulp and Paper	\$ (27.7)	\$ (15.3)	\$ (12.4)
Unallocated and Other	\$ (13.8)	\$ (12.7)	\$ (1.1)
<b>Total operating income before amortization, as reported</b>	<b>\$ 42.6</b>	<b>\$ 41.0</b>	<b>\$ 1.6</b>
Inventory write-down recovery, net	\$ (20.8)	\$ (57.4)	\$ 36.6
<b>Total operating income (loss) before amortization, as adjusted</b>	<b>\$ 21.8</b>	<b>\$ (16.4)</b>	<b>\$ 38.2</b>

# Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars) Effective Duties by Quarter:	Q3 2023	Q2 2023	Variance
Cash deposits paid <sup>1</sup>	\$ 11.5	\$ 11.0	\$ (0.5)
Incremental duty expense attributable to current quarter <sup>2</sup>	\$ 20.5	\$ 22.6	\$ 2.1
<b>Duty expense, as reported<sup>3</sup></b>	<b>\$ 32.0</b>	<b>\$ 33.6</b>	<b>\$ 1.6</b>
Duty recovery, net, attributable to fourth period of administrative review <sup>4</sup>	\$ (43.3)	\$ -	\$ 43.3
<b>Duty expense (recovery), net, as reported</b>	<b>\$ (11.3)</b>	<b>\$ 33.6</b>	<b>\$ 44.9</b>

<sup>1</sup> Combined CVD and ADD deposit rate of 5.87% from January to July 2023 and 6.61% from August to September 2023

<sup>2</sup> Expense reflects estimated ADD accrual rate of 20.00%

<sup>3</sup> Combined CVD and ADD accrual rate of 20.95% from January to July 2023 and 21.36% from August to September 2023

<sup>4</sup> Duty recovery, net, of \$43.3 million recognized in Q3 2023 reflects the finalized rates for the fourth period of administrative review

## Final results of the fourth period of review (“POR4”) (2021) announced by US Department of Commerce (“DOC”) in July 2023:

- Total cumulative cash deposits paid to September 30, 2023 of \$920.2 million
- CVD: deposit rate of 2.63% from January to November 2021 & 2.42% for December 2021; final rate of 1.36% for POR4
- ADD: deposit rate of 1.99% from January to November 2021 & 17.12% for December 2021; final rate of 5.25% for POR4
- Total combined CVD and ADD recovery, net, of \$43.3 million (US\$34.7 million) recognized in Q3 2023 upon finalization of rates
- No cash duties to be refunded until litigation regarding the imposition of CVD and ADD has been settled

## Canfor Corporation Lumber: Q3 2023 vs. Q2 2023



(millions of dollars, unless otherwise noted)	Q3 2023	Q2 2023	Variance
Sales	\$ 1,123.5	\$ 1,196.5	\$ (73.0)
Operating income before amortization	\$ 84.1	\$ 69.0	\$ 15.1
<b>Operating loss, as reported</b>	\$ (1.3)	\$ (15.5)	\$ 14.2
Inventory write-down recovery, net	\$ (18.8)	\$ (64.3)	\$ 45.5
<b>Operating loss, as adjusted</b>	\$ (20.1)	\$ (79.8)	\$ 59.7
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 562	\$ 481	\$ 81
Average SYP East 2x4 #2 lumber price in US\$	\$ 452	\$ 486	\$ (34)
Average SYP East 2x6 #2 lumber price in US\$	\$ 404	\$ 385	\$ 19
Production - Western SPF lumber (MMfbm)	495	542	(47)
Production - SYP lumber (MMfbm)	451	428	23
Production - EUR lumber (MMfbm)	278	344	(66)
Shipments - Canfor-produced Western SPF lumber (MMfbm)	534	578	(44)
Shipments - Canfor-produced SYP lumber (MMfbm)	443	435	8
Shipments - Canfor-produced EUR lumber (MMfbm)	311	393	(82)

### Adjusted lumber segment operating loss of \$20 million, \$60 million favourable to Q2

- Continued strong results in the US South; solid European results despite seasonal downtime; another challenging quarter for Western Canada
- Lumber market fundamentals remained relatively subdued through much of Q3; affordability challenges tied to high interest rates & persistent inflation led to a decline in North American new home construction, mitigated in part by solid repair and remodeling activity
- Western Canada:** Western SPF unit sales realizations primarily reflected a 17% increase in the SPF 2x4 #2&Btr price, tied to constrained North American lumber supply early in Q3 following market-related downtime & wildfires; lower production & shipments driven by increased curtailments in Q3 (versus Q2) & April closures
- US South:** Slight decrease in SYP unit sales realizations as the decline in the SYP East 2x4 #2 price overshadowed the uplift in the SYP East 2x6 #2; higher production & shipment volumes mainly attributable to the newly constructed sawmill in DeRidder, Louisiana
- Europe:** Slight uplift in unit sales realizations tied to improved market pricing in the UK; decreased production & shipments due to regular summer downtime

## Canfor Pulp Products Inc. Pulp: Q3 2023 vs. Q2 2023



(millions of dollars unless otherwise noted)	Q3 2023	Q2 2023	Variance
Gross Sales	\$ 188.8	\$ 249.5	\$ (60.7)
Reported operating income (loss) by segment:			
Pulp	\$ (50.8)	\$ (36.0)	\$ (14.8)
Paper	\$ 4.4	\$ 0.7	\$ 3.7
Unallocated	\$ (2.9)	\$ (2.6)	\$ (0.3)
<b>Total operating loss, as reported</b>	<b>\$ (49.3)</b>	<b>\$ (37.9)</b>	<b>\$ (11.4)</b>
Asset write-down and impairment	\$ -	\$ -	\$ -
Inventory write-down (recovery), net	\$ (2.0)	\$ 6.9	\$ (8.9)
<b>Total operating loss, as adjusted</b>	<b>\$ (51.3)</b>	<b>\$ (31.0)</b>	<b>\$ (20.3)</b>
Reported operating income (loss) before amortization:			
Pulp	\$ (29.9)	\$ (14.1)	\$ (15.8)
Paper	\$ 5.0	\$ 1.4	\$ 3.6
Unallocated	\$ (2.8)	\$ (2.6)	\$ (0.2)
<b>Total operating loss before amortization, as reported</b>	<b>\$ (27.7)</b>	<b>\$ (15.3)</b>	<b>\$ (12.4)</b>
Inventory write-down (recovery), net	\$ (2.0)	\$ 6.9	\$ (8.9)
<b>Total operating loss before amortization, as adjusted</b>	<b>\$ (29.7)</b>	<b>\$ (8.4)</b>	<b>\$ (21.3)</b>
Average NBSK pulp list price delivered to China - US\$	\$ 680	\$ 668	\$ 12
Average NBSK pulp list price delivered to China - CDN\$	\$ 912	\$ 897	\$ 15
Production - Pulp (000 mt)	123	151	(28)
Shipments - Pulp (000 mt)	142	179	(37)

### Canfor Pulp adjusted operating loss of \$51 million, down \$20 million from Q2

- Stable global pulp market fundamentals throughout Q3, as a slight uptick in purchasing activity in China was offset by ongoing challenging conditions in other global regions
- Significant decline in NBSK unit sales realizations driven by an unfavourable timing lag in shipments (versus orders), exacerbated by reduced pulp production in the current quarter
- Pulp production down 19% reflecting extensive downtime at the Northwood NBSK pulp mill driven by supply chain disruptions & scheduled maintenance, as well as persistent reliability challenges and a delayed restart