

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 3, 2019
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. Factors that could have a material impact on any future oriented statements made herein include, but are not limited to: general economic, market and business conditions, product selling prices, raw material and operating costs, foreign exchange rates, interest rates, changes in law and public policy, the outcome of trade and labour disputes, and opportunities available to or pursued by the Company.
- 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, 2018.

Canfor Corporation
Q3 2019 Review: Items Impacting Earnings (Loss) Comparability



(millions of dollars, except for per share amounts)	Q3 2019		Q2 2019	
	\$	\$/Share	\$	\$/Share
Shareholder net loss, as reported	\$ (90.4)	\$ (0.72)	\$ (48.6)	\$ (0.39)
Non-operating items (after-tax, net of non-controlling interests)				
Countervailing and anti-dumping duty deposit expense, net	\$ 39.1	\$ 0.31	\$ 33.0	\$ 0.26
Foreign exchange (gain) loss on long-term debt and duty deposits recoverable, net	\$ 2.1	\$ 0.02	\$ (2.9)	\$ (0.02)
(Gain) loss on derivative financial instruments	\$ 0.1	\$ -	\$ (1.7)	\$ (0.01)
Restructuring costs	\$ 4.7	\$ 0.04	\$ 8.4	\$ 0.06
Net impact of above items	\$ 46.0	\$ 0.37	\$ 36.8	\$ 0.29
Shareholder net loss, as adjusted	\$ (44.4)	\$ (0.35)	\$ (11.8)	\$ (0.10)

Canfor Corporation Sales and Operating Earnings (Loss) Summary



(millions of dollars unless otherwise noted)	Q3 2019	Q2 2019	Variance
Gross sales	\$ 1,091.4	\$ 1,313.0	\$ (221.6)
Reported operating income (loss) by segment:			
Lumber	\$ (70.2)	\$ (60.6)	\$ (9.6)
Pulp and Paper	\$ (44.0)	\$ 18.4	\$ (62.4)
Unallocated and Other	\$ (9.8)	\$ (7.5)	\$ (2.3)
Total operating loss, as reported	\$ (124.0)	\$ (49.7)	\$ (74.3)
Countervailing and anti-dumping duties, net	\$ 53.5	\$ 45.2	\$ 8.3
Inventory write-down (recovery), net	\$ (5.3)	\$ (11.6)	\$ 6.3
Restructuring costs	\$ 6.4	\$ 11.5	\$ (5.1)
Total operating loss, as adjusted	\$ (69.4)	\$ (4.6)	\$ (64.8)
Average exchange rate (US\$ per C\$1.00)	\$ 0.757	\$ 0.748	\$ 0.009

Reported operating income (loss) before amortization			
Lumber	\$ 2.5	\$ 8.7	\$ (6.2)
Pulp and Paper	\$ (20.3)	\$ 41.7	\$ (62.0)
Unallocated and Other	\$ (9.6)	\$ (7.3)	\$ (2.3)
Total operating income (loss) before amortization, as reported	\$ (27.4)	\$ 43.1	\$ (70.5)
Countervailing and anti-dumping duties, net	\$ 53.5	\$ 45.2	\$ 8.3
Inventory write-down (recovery), net	\$ (5.3)	\$ (11.6)	\$ 6.3
Restructuring costs	\$ 6.4	\$ 11.5	\$ (5.1)
Total operating income before amortization, as adjusted	\$ 27.2	\$ 88.2	\$ (61.0)

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q3 2019	Q2 2019	Variance
Effective Duties by Quarter:			
Cash deposits paid ¹	\$ 33.7	\$ 37.3	\$ (3.6)
Incremental duty expense, attributable to current quarter ²	\$ 12.2	\$ 7.9	\$ 4.3
Effective duty expense, net, for the current quarter³	\$ 45.9	\$ 45.2	\$ 0.7
Duty expense, net, attributable to prior quarters ⁴	\$ 7.6	\$ -	\$ 7.6
Duty expense, net, as reported	\$ 53.5	\$ 45.2	\$ 8.3

¹ Combined CVD and ADD deposit rate of 20.52%

² Q3 2019 expense reflects estimated ADD accrual rate of 16.00%; Q2 2019 estimated ADD accrual rate of 13.00%

³ Q3 2019 combined CVD and ADD rate of 29.24%; Q2 2019 combined CVD and ADD rate of 26.24%

⁴ Q3 2019 incremental expense reflects 3.00% increase in the estimated ADD accrual rate applicable to Q1 and Q2 2019 during the second period of administrative review (January 2019 to December 2019)

Canfor Corporation Lumber: Q3 2019 vs. Q2 2019



(millions of dollars unless otherwise noted)	Q3 2019	Q2 2019	Variance
Sales	\$ 874.6	\$ 993.5	\$ (118.9)
Operating income before amortization, as reported	\$ 2.5	\$ 8.7	\$ (6.2)
Operating loss, as reported	\$ (70.2)	\$ (60.6)	\$ (9.6)
Operating loss, as adjusted	\$ (15.6)	\$ (28.9)	\$ 13.3
Average WSPF 2x4 #2&Btr lumber price in CDN\$	\$ 470	\$ 445	\$ 25
Average SYP East 2x4 #2 lumber price in US\$	\$ 410	\$ 393	\$ 17
Average European indicative SPF lumber price in SEK ⁵	3,652	4,003	(351)
Production - WSPF lumber (MMfbm)	595	763	(168)
Production - SYP lumber (MMfbm)	365	354	11
Production - EUR SPF Lumber (MMfbm)	220	267	(47)
Shipments - Canfor-produced WSPF lumber (MMfbm)	644	847	(203)
Shipments - Canfor-produced SYP lumber (MMfbm)	365	350	15
Shipments - Canfor-produced EUR SPF Lumber (MMfbm)	223	278	(55)

Adjusted lumber operating loss of \$16 million, compared to loss of \$29 million in Q2

- Global lumber market fundamentals unchanged from prior quarter – supply continuing to exceed demand
- Western SPF benchmark pricing remaining at weak levels – resulting in higher duty expense
- Challenging fibre cost environment in BC
- Significant market-related curtailments and capacity reductions at BC operations (approx. 360 million board feet) – impacting shipments, manufacturing costs
- Seasonal production downtime at our European operations (four-week period in July/August)

Canfor Pulp Products Inc. Pulp: Q3 2019 vs. Q2 2019 and Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q3 2019	Q2 2019	Variance
Gross Sales	\$ 216.9	\$ 319.5	\$ (102.6)
Reported operating income (loss) by segment:			
Pulp	\$ (45.5)	\$ 12.9	\$ (58.4)
Paper	\$ 3.9	\$ 8.1	\$ (4.2)
Unallocated	\$ (2.4)	\$ (2.6)	\$ 0.2
Total operating income (loss), as reported	\$ (44.0)	\$ 18.4	\$ (62.4)
Inventory write-down	\$ -	\$ 13.4	\$ (13.4)
Total operating income (loss), as adjusted	\$ (44.0)	\$ 31.8	\$ (75.8)
Reported operating income (loss) before amortization by segment:			
Pulp	\$ (22.8)	\$ 35.3	\$ (58.1)
Paper	\$ 4.8	\$ 9.0	\$ (4.2)
Unallocated	\$ (2.3)	\$ (2.6)	\$ 0.3
Total operating income (loss) before amortization, as reported	\$ (20.3)	\$ 41.7	\$ (62.0)
Inventory write-down	\$ -	\$ 13.4	\$ (13.4)
Total operating income (loss) before amortization, as adjusted	\$ (20.3)	\$ 55.1	\$ (75.4)
Average NBSK pulp list price delivered to China - US\$	\$ 585	\$ 653	\$ (68)
Average NBSK pulp list price delivered to China - CDN\$	\$ 773	\$ 873	\$ (100)
Production - Pulp (000 mt)	174	300	(126)
Shipments - Pulp (000 mt)	213	288	(75)

Canfor Pulp operating loss of \$44 million, compared to income of \$18 million in Q2

- Weak global pulp market conditions – tepid demand, particularly China and Europe, and elevated global pulp inventory levels
- Sharp declines in NBSK and BCTMP prices
- Significant fibre supply disruptions from industry-wide sawmill curtailments in BC Interior
 - Phased summer curtailments at all pulp mills (approx. 135,000 tonnes pulp production) – impacting shipments, manufacturing costs