

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 2, 2020
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, 2019.

Canfor Corporation
Q2 2020 Review: Items Impacting Earnings (Loss) Comparability



(millions of dollars, except for per share amounts)	Q2 2020		Q1 2020	
	\$	\$/Share	\$	\$/Share
Shareholder net income (loss), as reported	\$ 60.7	\$ 0.48	\$ (70.0)	\$ (0.56)
Non-operating items (after-tax, net of non-controlling interests)				
Countervailing and anti-dumping duty deposit expense, net	\$ 14.0	\$ 0.11	\$ 32.4	\$ 0.26
Foreign exchange loss (gain) on long-term debt and duty deposits recoverable, net	\$ (4.7)	\$ (0.03)	\$ 13.1	\$ 0.10
Loss (gain) on derivative financial instruments	\$ 2.9	\$ 0.02	\$ (2.4)	\$ (0.03)
Restructuring, mill closure and severance costs, net	\$ 10.5	\$ 0.09	\$ 0.7	\$ 0.02
Net impact of above items	\$ 22.7	\$ 0.19	\$ 43.8	\$ 0.35
Shareholder net income (loss), as adjusted	\$ 83.4	\$ 0.67	\$ (26.2)	\$ (0.21)

Canfor Corporation Sales and Operating Earnings (Loss) Summary



(millions of dollars unless otherwise noted)	Q2 2020	Q1 2020	Variance
Gross sales	\$ 1,115.3	\$ 1,170.7	\$ (55.4)
Reported operating income (loss) by segment:			
Lumber	\$ 107.4	\$ (89.1)	\$ 196.5
Pulp and Paper	\$ (6.3)	\$ 6.1	\$ (12.4)
Unallocated and Other	\$ (4.2)	\$ (5.8)	\$ 1.6
Total operating income (loss), as reported	\$ 96.9	\$ (88.8)	\$ 185.7
Countervailing and anti-dumping duties, net	\$ 19.2	\$ 44.4	\$ (25.2)
Inventory write-down (recovery), net	\$ (72.4)	\$ 52.3	\$ (124.7)
Restructuring, mill closure and severance costs, net	\$ 14.4	\$ 1.0	\$ 13.4
Total operating income, as adjusted	\$ 58.1	\$ 8.9	\$ 49.2
Average exchange rate (US\$ per C\$1.00)	\$ 0.722	\$ 0.744	\$ (0.022)
Average exchange rate (SEK per C\$1.00)	6.983	7.203	(0.220)
Reported operating income (loss) before amortization			
Lumber	\$ 180.1	\$ (16.6)	\$ 196.7
Pulp and Paper	\$ 13.3	\$ 27.7	\$ (14.4)
Unallocated and Other	\$ (3.9)	\$ (5.5)	\$ 1.6
Total operating income before amortization, as reported	\$ 189.5	\$ 5.6	\$ 183.9
Countervailing and anti-dumping duties, net	\$ 19.2	\$ 44.4	\$ (25.2)
Inventory write-down (recovery), net	\$ (72.4)	\$ 52.3	\$ (124.7)
Restructuring, mill closure and severance costs, net	\$ 14.4	\$ 1.0	\$ 13.4
Total operating income before amortization, as adjusted	\$ 150.7	\$ 103.3	\$ 47.4

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q2 2020	Q1 2020	Variance
Effective Duties by Quarter:			
Cash deposits paid ¹	\$ 28.8	\$ 33.1	\$ (4.3)
Incremental duty expense, attributable to current quarter ²	\$ 0.7	\$ 11.3	\$ (10.6)
Effective duty expense, net, for the current quarter³	\$ 29.5	\$ 44.4	\$ (14.9)
Duty expense (recovery), net, attributable to prior quarters	\$ (10.3)	\$ -	\$ (10.3)
Duty expense, net, as reported⁴	\$ 19.2	\$ 44.4	\$ (25.2)

¹ Combined CVD and ADD deposit rate of 20.52%

² Expense reflects estimated ADD accrual rate of 8.00% for Q2 2020, 16.00% for Q1 2020

³ Combined CVD and ADD rate of 21.24% for Q2 2020, 29.24% for Q1 2020

⁴ Q2 2020 incremental recovery reflects 8.00% decrease in the estimated ADD accrual rate applicable to Q1 and Q2 2020 during the third period of administrative review (January 2020 to December 2020)

Canfor Corporation Lumber: Q2 2020 vs. Q1 2020



(millions of dollars unless otherwise noted)	Q2 2020	Q1 2020	Variance
Sales	\$ 864.6	\$ 895.2	\$ (30.6)
Operating income (loss) before amortization, as reported	\$ 180.1	\$ (16.6)	\$ 196.7
Operating income (loss), as reported	\$ 107.4	\$ (89.1)	\$ 196.5
Operating income, as adjusted	\$ 60.4	\$ 19.3	\$ 41.1
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 494	\$ 536	\$ (42)
Average SYP East 2x4 #2 lumber price in US\$	\$ 463	\$ 386	\$ 77
Average European indicative SPF lumber price in SEK ⁵	3,254	3,352	(98)
Production - Western SPF lumber (MMfbm)	441	628	(187)
Production - SYP lumber (MMfbm)	321	364	(43)
Production - EUR SPF lumber (MMfbm)	278	293	(15)
Shipments - Canfor-produced Western SPF lumber (MMfbm)	531	574	(43)
Shipments - Canfor-produced SYP lumber (MMfbm)	350	363	(13)
Shipments - Canfor-produced EUR SPF lumber (MMfbm)	273	314	(41)

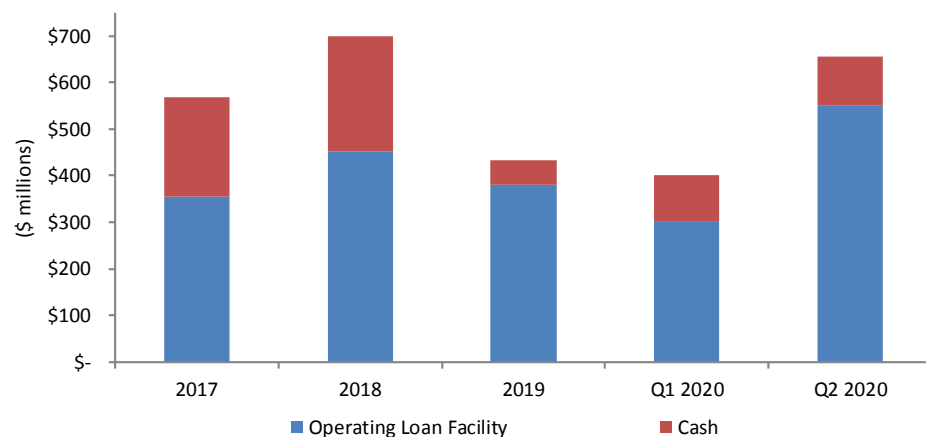
Adjusted lumber operating income of \$60 million, up \$41 million from Q1

- Significant COVID-19 related decline in global lumber markets early in the quarter; lean supply chain inventories & strength in repair and remodel sector, led to modest market rebound in May/June
- **US South:** Significant improvement in earnings over prior quarter – May/June SYP benchmark sharp pricing gains outweighed downtime early in the period
- **Europe:** Solid contribution to results – modest increase in European SPF unit sales realizations & solid productivity offset April capacity reductions
- **Western Canada:** Modest improvement from prior quarter – sharp rise in Western SPF benchmark prices supported a return to more normal operating rates in June & strong finish to the quarter

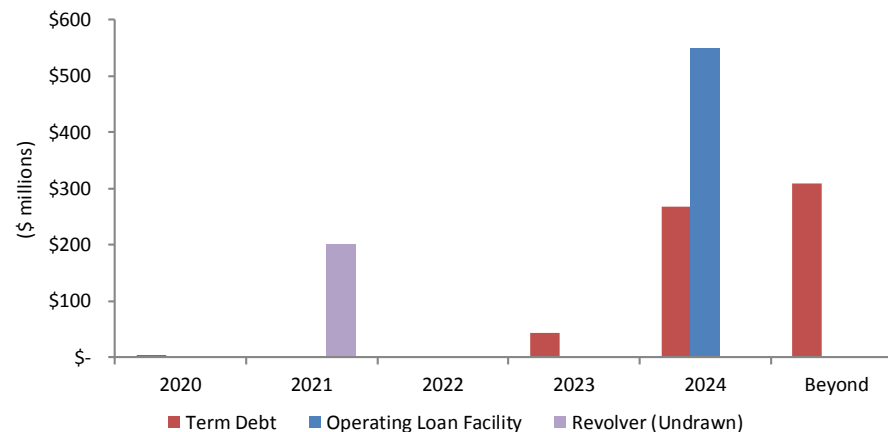
Canfor Corporation Liquidity Update



**Available Liquidity
(Canfor Excl. Canfor Pulp)**



**Scheduled Maturities*
(Canfor Excl. Vida and Canfor Pulp)**



Canfor (excluding Canfor Pulp) had available liquidity of approximately \$655 million at end of Q2 2020

Available liquidity improved by approximately \$255 million during the second quarter, reflecting a number of initiatives underway to preserve balance sheet strength in response to COVID-19:

- Significant focus on reducing working capital, with liquidity in the second quarter benefiting from a seasonal unwind of inventory
- Accelerated filing of tax returns supporting early receipt of tax refunds (~\$115 million anticipated by end of 2020; approx. half received in H1 2020)
- Undrawn \$200 million revolving credit facility increased by \$100 million during Q2 (expires June 2021); no scheduled debt maturities until late 2023
- Reduction of planned capital expenditures. Currently anticipating lumber segment capital spend of \$100 million in 2020, of which approximately \$25 million relates to European operations (total lumber segment capital spend reduced by approximately \$100 million from 2019)
- Suspension of all non-essential overhead, disciplined cash management and government programs supporting liquidity
- Vida retains strong liquidity position ahead of planned acquisition; cash of approximately \$60 million at end of Q2; operating lines renewed annually
- The Company remains in full compliance with all covenants relating to operating loan facilities and long-term debt and expects to remain so for the foreseeable future

Canfor Pulp Products Inc. Pulp: Q2 2020 vs. Q1 2020

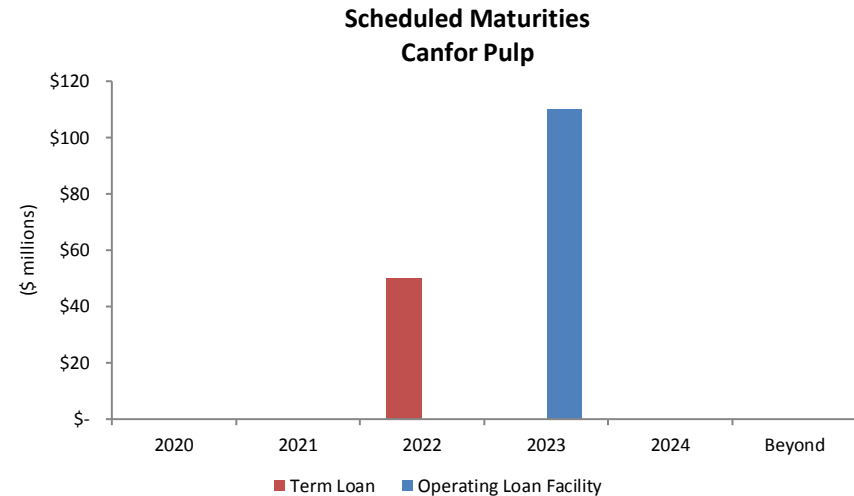
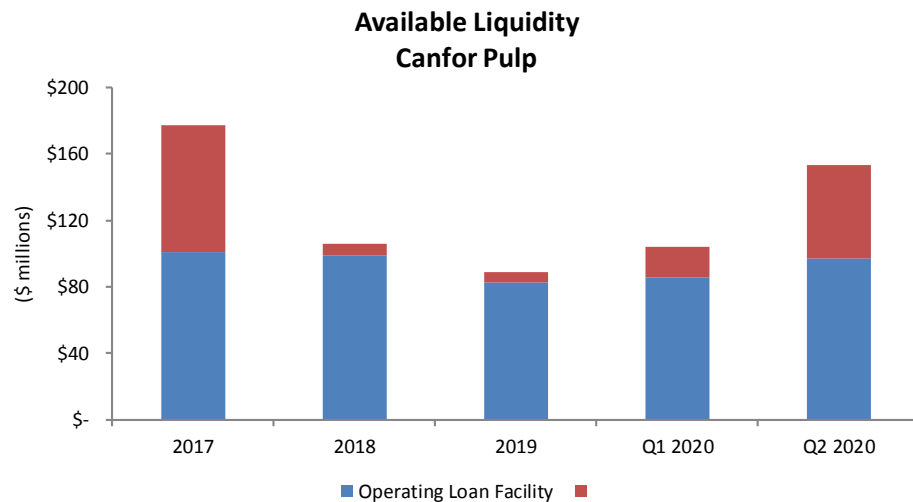


(millions of dollars unless otherwise noted)	Q2 2020	Q1 2020	Variance
Gross Sales	\$ 250.7	\$ 275.5	\$ (24.8)
Reported operating income (loss) by segment:			
Pulp	\$ (12.0)	\$ 1.1	\$ (13.1)
Paper	\$ 7.4	\$ 6.8	\$ 0.6
Unallocated	\$ (1.7)	\$ (1.8)	\$ 0.1
Total operating income (loss)	\$ (6.3)	\$ 6.1	\$ (12.4)
Inventory write-down (recovery)	\$ 8.2	\$ (10.7)	\$ 18.9
Total operating income (loss), as adjusted	\$ 1.9	\$ (4.6)	\$ 6.5
Reported operating income (loss) before amortization by segment:			
Pulp	\$ 6.9	\$ 22.0	\$ (15.1)
Paper	\$ 8.1	\$ 7.5	\$ 0.6
Unallocated	\$ (1.7)	\$ (1.8)	\$ 0.1
Total operating income before amortization	\$ 13.3	\$ 27.7	\$ (14.4)
Inventory write-down (recovery)	\$ 8.2	\$ (10.7)	\$ 18.9
Total operating income before amortization, as adjusted	\$ 21.5	\$ 17.0	\$ 4.5
Average NBSK pulp list price delivered to China - US\$ ⁶	\$ 572	\$ 573	\$ (1)
Average NBSK pulp list price delivered to China - CDN\$ ⁶	\$ 793	\$ 770	\$ 23
Production - Pulp (000 mt)	260	298	(38)
Shipments - Pulp (000 mt)	248	290	(42)

Canfor Pulp adjusted operating income of \$2 million, improvement of \$7 million from Q1 loss

- Improved pulp pricing in April, with solid at-home tissue demand and COVID-19 related supply disruptions; increased pricing pressure in June driven primarily by sharp declines in printing & writing sector
- Global softwood pulp inventories significantly above the balanced range, ending June 2020 at 42 days of supply
- In response to the pandemic-related sawmill curtailments and reduced residual fibre supply, Northwood pulp mill was curtailed in Q2 (approx. 35,000 tonnes pulp), with the Prince George pulp and paper and Intercontinental pulp mills curtailed for four weeks beginning July 6, 2020 (approx. 38,000 tonnes pulp, 12,000 tonnes paper)

Canfor Pulp Products Inc. Liquidity Update



Canfor Pulp had available liquidity of approximately \$150 million at end of Q2 2020, an increase of approximately \$50 million from Q1 2020

- Significant focus on working capital management, with liquidity in the second quarter benefiting from a decrease of accounts receivable balances
- Reduction of planned capital expenditures supporting liquidity; currently anticipating capital spend of \$60 million in 2020, down \$45 million from 2019
- Suspension of all non-essential overhead, disciplined cash management and government programs supporting liquidity
- Suspension of quarterly dividend for the foreseeable future recognizing the unprecedented challenges facing the global economy and the Company's cash preservation efforts
- Previously announced \$40 million cost reduction initiative underway, with full benefits achieved by end of 2021
- \$50 million term debt matures in late 2022, with available operating line providing adequate liquidity for the foreseeable future
- The Company remains in full compliance with all covenants relating to operating loan facilities and long-term debt and expects to remain so for the foreseeable future