

**Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 3, 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**  
**Q3 2020 Review: Items Impacting Earnings Comparability**



(millions of dollars, except for per share amounts)	Q3 2020		Q2 2020	
	\$	\$/Share	\$	\$/Share
Shareholder net income, as reported	\$ 218.1	\$ 1.74	\$ 60.7	\$ 0.48
Non-operating items (after-tax, net of non-controlling interests)				
Countervailing and anti-dumping duty deposit expense, net	\$ 37.0	\$ 0.30	\$ 14.0	\$ 0.11
Foreign exchange gain on long-term debt and duty deposits recoverable, net	\$ (1.0)	\$ (0.01)	\$ (4.7)	\$ (0.03)
Loss on derivative financial instruments	\$ 5.3	\$ 0.04	\$ 2.9	\$ 0.02
Restructuring, mill closure and severance costs, net	\$ -	\$ -	\$ 10.5	\$ 0.09
Net impact of above items	\$ 41.3	\$ 0.33	\$ 22.7	\$ 0.19
Shareholder net income, as adjusted	\$ 259.4	\$ 2.07	\$ 83.4	\$ 0.67

## Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q3 2020	Q2 2020	Variance
Gross sales	\$ 1,550.4	\$ 1,115.3	\$ 435.1
Reported operating income (loss) by segment:			
Lumber	\$ 336.7	\$ 107.4	\$ 229.3
Pulp and Paper	\$ (27.6)	\$ (6.3)	\$ (21.3)
Unallocated and Other	\$ (9.5)	\$ (4.2)	\$ (5.3)
<b>Total operating income, as reported</b>	<b>\$ 299.6</b>	<b>\$ 96.9</b>	<b>\$ 202.7</b>
Countervailing and anti-dumping duties, net	\$ 50.7	\$ 19.2	\$ 31.5
Inventory write-down recovery, net	\$ (3.0)	\$ (72.4)	\$ 69.4
Restructuring, mill closure and severance costs, net	\$ -	\$ 14.4	\$ (14.4)
<b>Total operating income, as adjusted</b>	<b>\$ 347.3</b>	<b>\$ 58.1</b>	<b>\$ 289.2</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.751	\$ 0.722	\$ 0.029
Average exchange rate (SEK per C\$1.00)	6.650	6.983	(0.333)

Reported operating income (loss) before amortization			
Lumber	\$ 411.0	\$ 180.1	\$ 230.9
Pulp and Paper	\$ (8.7)	\$ 13.3	\$ (22.0)
Unallocated and Other	\$ (9.2)	\$ (3.9)	\$ (5.3)
<b>Total operating income before amortization, as reported</b>	<b>\$ 393.1</b>	<b>\$ 189.5</b>	<b>\$ 203.6</b>
Countervailing and anti-dumping duties, net	\$ 50.7	\$ 19.2	\$ 31.5
Inventory write-down recovery, net	\$ (3.0)	\$ (72.4)	\$ 69.4
Restructuring, mill closure and severance costs, net	\$ -	\$ 14.4	\$ (14.4)
<b>Total operating income before amortization, as adjusted</b>	<b>\$ 440.8</b>	<b>\$ 150.7</b>	<b>\$ 290.1</b>

## Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q3 2020	Q2 2020	Variance
<b>Effective Duties by Quarter:</b>			
Cash deposits paid <sup>1</sup>	\$ 64.2	\$ 28.8	\$ 35.4
Incremental duty expense (recovery), attributable to current quarter <sup>2</sup>	\$ (6.3)	\$ 0.7	\$ (7.0)
<b>Effective duty expense, net, for the current quarter<sup>3</sup></b>	<b>\$ 57.9</b>	<b>\$ 29.5</b>	<b>\$ 28.4</b>
Duty recovery, net, attributable to prior quarters	\$ (7.2)	\$ (10.3)	\$ 3.1
<b>Duty expense, net, as reported<sup>4</sup></b>	<b>\$ 50.7</b>	<b>\$ 19.2</b>	<b>\$ 31.5</b>

<sup>1</sup> Combined CVD and ADD deposit rate of 20.52%

<sup>2</sup> Expense reflects estimated ADD accrual rate of 5.00% for Q3 2020, 8.00% for Q2 2020

<sup>3</sup> Combined CVD and ADD rate of 18.24% for Q3 2020, 21.24% for Q2 2020

<sup>4</sup> Q3 2020 incremental recovery reflects a 3.00% 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: Q3 2020 vs. Q2 2020



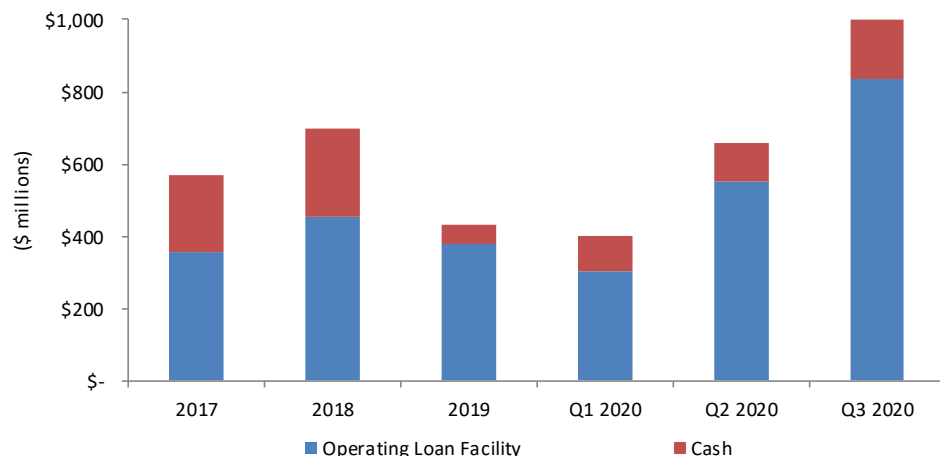
(millions of dollars unless otherwise noted)	Q3 2020	Q2 2020	Variance
Sales	\$ 1,324.1	\$ 864.6	\$ 459.5
Operating income before amortization, as reported	\$ 411.0	\$ 180.1	\$ 230.9
Operating income, as reported	\$ 336.7	\$ 107.4	\$ 229.3
Operating income, as adjusted	\$ 387.4	\$ 60.4	\$ 327.0
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 1,022	\$ 494	\$ 528
Average SYP East 2x4 #2 lumber price in US\$	\$ 782	\$ 463	\$ 319
Average European indicative SPF lumber price in SEK <sup>5</sup>	3,414	3,254	160
Production - Western SPF lumber (MMfbm)	726	441	285
Production - SYP lumber (MMfbm)	431	321	110
Production - EUR SPF lumber (MMfbm)	261	278	(17)
Shipments - Canfor-produced Western SPF lumber (MMfbm)	667	531	136
Shipments - Canfor-produced SYP lumber (MMfbm)	429	350	79
Shipments - Canfor-produced EUR SPF lumber (MMfbm)	275	273	2

### Record-high adjusted lumber earnings of \$387 million, up \$327 million from Q2

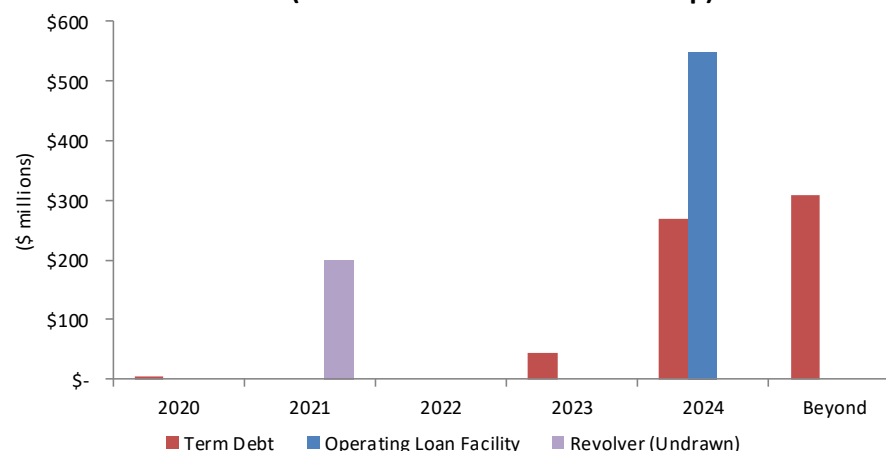
- Unprecedented surge in lumber prices, strong operational performance across all regions
- **Western Canada:** Significant increase in earnings – substantial increase in Western SPF unit sales realizations tied to unprecedented North American pricing & return to more regular production rates following COVID-19 market-related curtailments in the previous quarter
- **US South:** All-time record earnings – record-high North American benchmark pricing & increased production following capacity reductions early in the prior quarter
- **Europe:** All-time record earnings – significant increase in European SPF unit sales realizations more than offsetting impacts of July seasonal production downtime



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



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



**Canfor (excluding Canfor Pulp) had available liquidity of approximately \$1.0 billion at end of Q3 2020**

**Available liquidity improved by approximately \$345 million during the third quarter, supported by record high lumber prices and various initiatives underway to maintain balance sheet strength:**

- Liquidity benefited from significant cash earnings associated with record-high lumber prices combined with favourable working capital movements
- Canfor (excl. Canfor Pulp and Vida) fully repaid its operating loan facility in the third quarter; no scheduled debt maturities until late 2023
- Vida retains strong liquidity position following acquisition of Bergs Timber; cash of approximately \$35 million at end of Q3; operating lines renewed annually
- As of September 30, Canfor had paid cumulative cash duty deposits of approximately \$550 million
- 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: Q3 2020 vs. Q2 2020



(millions of dollars unless otherwise noted)	Q3 2020	Q2 2020	Variance
Gross Sales	\$ 226.3	\$ 250.7	\$ (24.4)
Reported operating income (loss) by segment:			
Pulp	\$ (29.3)	\$ (12.0)	\$ (17.3)
Paper	\$ 5.0	\$ 7.4	\$ (2.4)
Unallocated	\$ (3.3)	\$ (1.7)	\$ (1.6)
<b>Total operating loss</b>	<b>\$ (27.6)</b>	<b>\$ (6.3)</b>	<b>\$ (21.3)</b>
Inventory write-down (recovery)	\$ (3.0)	\$ 8.2	\$ (11.2)
<b>Total operating income (loss), as adjusted</b>	<b>\$ (30.6)</b>	<b>\$ 1.9</b>	<b>\$ (32.5)</b>
Reported operating income (loss) before amortization by segment:			
Pulp	\$ (11.2)	\$ 6.9	\$ (18.1)
Paper	\$ 5.7	\$ 8.1	\$ (2.4)
Unallocated	\$ (3.2)	\$ (1.7)	\$ (1.5)
<b>Total operating income (loss) before amortization</b>	<b>\$ (8.7)</b>	<b>\$ 13.3</b>	<b>\$ (22.0)</b>
Inventory write-down (recovery)	\$ (3.0)	\$ 8.2	\$ (11.2)
<b>Total operating income (loss) before amortization, as adjusted</b>	<b>\$ (11.7)</b>	<b>\$ 21.5</b>	<b>\$ (33.2)</b>
Average NBSK pulp list price delivered to China - US\$ <sup>6</sup>	\$ 572	\$ 572	\$ -
Average NBSK pulp list price delivered to China - CDN\$ <sup>6</sup>	\$ 761	\$ 793	\$ (32)
Production - Pulp (000 mt)	227	260	(33)
Shipments - Pulp (000 mt)	249	248	1

### Canfor Pulp adjusted operating loss of \$31 million compared to a loss of \$6 million in Q2

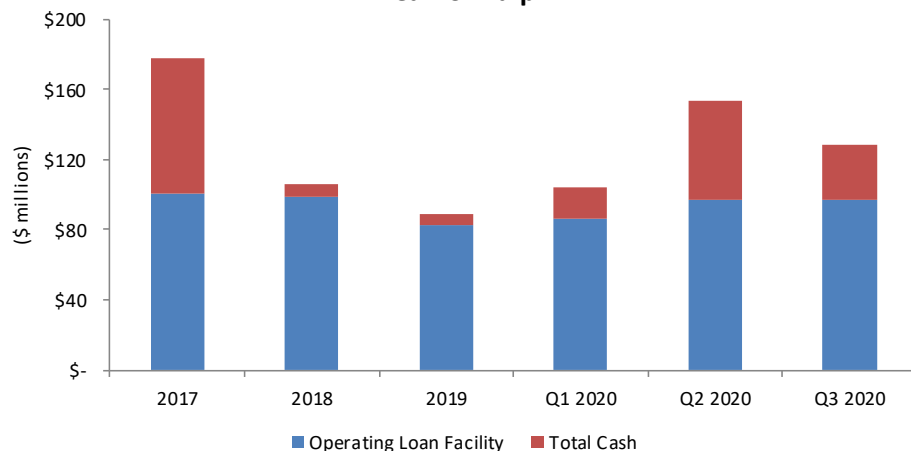
- Weak global pulp market conditions & relatively flat NBSK pulp list prices during the quarter; ongoing sharp decline in demand for printing and writing papers offsetting improved demand for tissue; global softwood pulp inventories above the balanced range (ending August 2020 at 43 days of supply)
- Significant decline in pulp production due to COVID-19 fibre-related curtailments at Prince George pulp and paper and Intercontinental pulp mills (38,000 tonnes pulp, 9,000 tonnes paper) & scheduled maintenance at the Northwood (20,000 tonnes) and Taylor mills (10,000 tonnes)
- Northwood's scheduled outage extended in Q4 on one production line, to enable the replacement of recovery boiler number five's (RB5) lower furnace



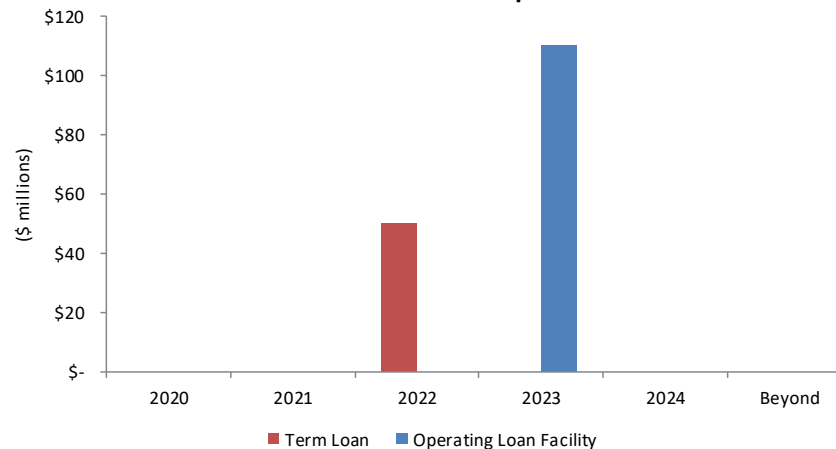
## Canfor Pulp Products Inc. Liquidity Update



**Available Liquidity  
Canfor Pulp**



**Scheduled Maturities  
Canfor Pulp**



**Canfor Pulp had available liquidity of approximately \$130 million at end of Q3 2020**

**Canfor Pulp remains focused on maintaining its balance sheet strength in light of current environment:**

- Suspension of all non-essential overhead, disciplined cash management and government programs supporting liquidity
- Suspension of quarterly dividend for the foreseeable future recognizing significant market-challenges, Northwood RB5 capital project
- \$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