

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 1, 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 March 31, 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
Q1 2023 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q1 2023		Q4 2022	
	\$	\$/Share	\$	\$/Share
Shareholder net loss, as reported	\$ (142.0)	\$ (1.17)	\$ (207.9)	\$ (1.70)
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange gain on term debt	\$ (0.4)	\$ -	\$ (1.7)	\$ (0.01)
Gain on derivative financial instruments	\$ (2.5)	\$ (0.03)	\$ (2.0)	\$ (0.02)
Asset write-downs and impairments	\$ -	\$ -	\$ 84.8	\$ 0.69
Net impact of above items	\$ (2.9)	\$ (0.03)	\$ 81.1	\$ 0.66
Shareholder net loss, as adjusted	\$ (144.9)	\$ (1.20)	\$ (126.8)	\$ (1.04)

Canfor Corporation

Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q1 2023	Q4 2022	Variance
Gross sales	\$ 1,385.4	\$ 1,373.3	\$ 12.1
Reported operating loss by segment:			
Lumber	\$ (169.7)	\$ (199.5)	\$ 29.8
Pulp and Paper	\$ (25.2)	\$ (91.1)	\$ 65.9
Unallocated and Other	\$ (13.6)	\$ (17.4)	\$ 3.8
Total operating loss, as reported	\$ (208.5)	\$ (308.0)	\$ 99.5
Asset write-downs and impairments	\$ -	\$ 138.6	\$ (138.6)
Inventory write-down, net	\$ 62.1	\$ 5.6	\$ 56.5
Total operating loss, as adjusted	\$ (146.4)	\$ (163.8)	\$ 17.4
Average exchange rate (US\$ per C\$1.00)	\$ 0.740	\$ 0.736	\$ 0.004
Average exchange rate (SEK per C\$1.00)	7.726	7.891	(0.165)

Reported operating loss before amortization, asset write-downs and impairments:			
Lumber	\$ (92.2)	\$ (30.6)	\$ (61.6)
Pulp and Paper	\$ (0.6)	\$ (15.1)	\$ 14.5
Unallocated and Other	\$ (12.9)	\$ (16.9)	\$ 4.0
Total operating loss before amortization, asset write-downs and impairments, as reported	\$ (105.7)	\$ (62.6)	\$ (43.1)
Inventory write-down, net	\$ 62.1	\$ 5.6	\$ 56.5
Total operating loss before amortization, asset write-downs and impairments, as adjusted	\$ (43.6)	\$ (57.0)	\$ 13.4

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars)	Q1 2023	Q4 2022	Variance
Effective Duties by Quarter:			
Cash deposits paid ¹	\$ 9.8	\$ 9.7	\$ 0.1
Incremental duty expense attributable to current quarter ²	\$ 19.4	\$ 22.8	\$ (3.4)
Effective duty expense, net, for the current quarter³	\$ 29.2	\$ 32.5	\$ (3.3)
Duty expense , net, attributable to prior quarters ⁴	\$ -	\$ 22.5	\$ (22.5)
Duty expense, net, as reported	\$ 29.2	\$ 55.0	\$ (25.8)

¹ Combined CVD and ADD deposit rate of 5.87%

² Q1 2023 expense reflects estimated ADD accrual rate of 20.00% for Q1 2023 and 9.00% for Q4 2022

³ Combined CVD and ADD accrual rate of 20.95% for Q1 2023 and 9.95% for Q4 2022

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)

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 March 31, 2023 of \$897.7 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: Q1 2023 vs. Q4 2022



	Q1 2023	Q4 2022	Variance
(millions of dollars unless otherwise noted)			
Sales	\$ 1,142.1	\$ 1,105.2	\$ 36.9
Operating loss before amortization, asset write-down and impairment	\$ (92.2)	\$ (30.6)	\$ (61.6)
Operating loss, as reported	\$ (169.7)	\$ (199.5)	\$ 29.8
Asset write-down and impairment	\$ -	\$ 89.0	\$ (89.0)
Inventory write-down, net	\$ 58.5	\$ 6.1	\$ 52.4
Operating loss, as adjusted	\$ (111.2)	\$ (104.4)	\$ (6.8)
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 522	\$ 557	\$ (35)
Average SYP East 2x4 #2 lumber price in US\$	\$ 485	\$ 451	\$ 34
Average SYP East 2x6 #2 lumber price in US\$	\$ 420	\$ 449	\$ (29)
Production - Western SPF lumber (MMfbm)	531	507	24
Production - SYP lumber (MMfbm)	410	388	22
Production - EUR lumber (MMfbm)	373	349	24
Shipments - Canfor-produced Western SPF lumber (MMfbm)	497	464	33
Shipments - Canfor-produced SYP lumber (MMfbm)	404	371	33
Shipments - Canfor-produced EUR lumber (MMfbm)	439	404	35

Adjusted lumber operating loss of \$111 million, down \$7 million from Q4

- Strong results from the Company's European operations & more modest earnings from US South outweighed by challenging results from Western Canada
- North American lumber market demand & pricing remained under pressure, offset in part by the benefit of increased production & shipments across all regions
- **Western Canada:** Western SPF unit sales realizations reflected US-dollar benchmark pricing declines & lower offshore unit sales realizations; increased production due to reduced market-driven curtailments in Q1 (versus Q4); announced restructuring of BC operations in January 2023 as a result of difficult market conditions
- **US South:** Decrease in SYP unit sales realizations tied to decline in SYP 2x6 #2 pricing & more pronounced declines for wider-width products, tempered by an uplift in SYP 2x4 #2 pricing; higher production tied to increased operating days in Q1
- **Europe:** Slightly lower unit sales realizations as NA pricing declines outweighed improvement in UK & Europe demand & pricing; uplift in production due to fewer statutory holidays in Q1

Canfor Pulp Products Inc. Pulp: Q1 2023 vs. Q4 2022



(millions of dollars unless otherwise noted)	Q1 2023	Q4 2022	Variance
Gross Sales	\$ 243.3	\$ 268.1	\$ (24.8)
Reported operating income (loss) by segment:			
Pulp	\$ (24.4)	\$ (89.1)	\$ 64.7
Paper	\$ 3.3	\$ 1.9	\$ 1.4
Unallocated	\$ (4.1)	\$ (3.9)	\$ (0.2)
Total operating loss, as reported	\$ (25.2)	\$ (91.1)	\$ 65.9
Asset write-down and impairment	\$ -	\$ 49.6	\$ (49.6)
Inventory write-down (recovery), net	\$ 3.6	\$ (0.5)	\$ 4.1
Total operating loss, as adjusted	\$ (21.6)	\$ (42.0)	\$ 20.4
Reported operating income (loss) before amortization, asset write-down and impairment:			
Pulp	\$ (0.2)	\$ (13.6)	\$ 13.4
Paper	\$ 3.7	\$ 2.4	\$ 1.3
Unallocated	\$ (4.1)	\$ (3.9)	\$ (0.2)
Total operating loss before amortization, asset write-down and impairment, as reported	\$ (0.6)	\$ (15.1)	\$ 14.5
Inventory write-down (recovery), net	\$ 3.6	\$ (0.5)	\$ 4.1
Total operating income (loss) before amortization, asset write-down and impairment, as adjusted	\$ 3.0	\$ (15.6)	\$ 18.6
Average NBSK pulp list price delivered to China - US\$	\$ 891	\$ 920	\$ (29)
Average NBSK pulp list price delivered to China - CDN\$	\$ 1,204	\$ 1,250	\$ (46)
Production - Pulp (000 mt)	181	160	21
Shipments - Pulp (000 mt)	152	170	(18)

Canfor Pulp adjusted operating loss of \$22 million, \$20 million favourable to Q4

- Global pulp market fundamentals came under modest pressure as relatively stable demand was outweighed by increased global pulp market supply
- Modest decrease in NBSK unit sales realizations driven by decline in global US-dollar NBSK list prices
- Pulp production up 13% reflecting improved NBSK productivity towards the end of Q1 following fibre-related curtailment & operational reliability challenges
- Subsequent to quarter end, expanded and extended its operating loan facility and term debt