

**Canfor Corporation and Canfor Pulp Products Inc.
Quarter 2, 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 June 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
Q2 2023 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q2 2023		Q1 2023	
	\$	\$/Share	\$	\$/Share
Shareholder net loss, as reported	\$ (43.9)	\$ (0.36)	\$ (142.0)	\$ (1.17)
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange gain on term debt	\$ (6.7)	\$ (0.06)	\$ (0.4)	\$ -
Loss (gain) on derivative financial instruments	\$ 6.3	\$ 0.06	\$ (2.5)	\$ (0.03)
Net impact of above items	\$ (0.4)	\$ -	\$ (2.9)	\$ (0.03)
Shareholder net loss, as adjusted	\$ (44.3)	\$ (0.36)	\$ (144.9)	\$ (1.20)

Canfor Corporation

Sales and Operating Earnings Summary



(millions of dollars, unless otherwise noted)	Q2 2023	Q1 2023	Variance
Gross sales	\$ 1,446.0	\$ 1,385.4	\$ 60.6
Reported operating loss by segment:			
Lumber	\$ (15.5)	\$ (169.7)	\$ 154.2
Pulp and Paper	\$ (37.9)	\$ (25.2)	\$ (12.7)
Unallocated and Other	\$ (13.3)	\$ (13.6)	\$ 0.3
Total operating loss, as reported	\$ (66.7)	\$ (208.5)	\$ 141.8
Inventory write-down (recovery), net	\$ (57.4)	\$ 62.1	\$ (119.5)
Total operating loss, as adjusted	\$ (124.1)	\$ (146.4)	\$ 22.3
Average exchange rate (US\$ per C\$1.00)	\$ 0.745	\$ 0.740	\$ 0.005
Average exchange rate (SEK per C\$1.00)	7.833	7.726	0.107
Reported operating income (loss) before amortization			
Lumber	\$ 69.0	\$ (92.2)	\$ 161.2
Pulp and Paper	\$ (15.3)	\$ (0.6)	\$ (14.7)
Unallocated and Other	\$ (12.7)	\$ (12.9)	\$ 0.2
Total operating loss before amortization, as reported	\$ 41.0	\$ (105.7)	\$ 146.7
Inventory write-down (recovery), net	\$ (57.4)	\$ 62.1	\$ (119.5)
Total operating loss before amortization, as adjusted	\$ (16.4)	\$ (43.6)	\$ 27.2

Canfor Corporation Countervailing and Anti-Dumping Duty Summary



(millions of dollars) Effective Duties by Quarter:	Q2 2023	Q1 2023	Variance
Cash deposits paid ¹	\$ 11.0	\$ 9.8	\$ 1.2
Incremental duty expense attributable to current quarter ²	\$ 22.6	\$ 19.4	\$ 3.2
Duty expense, as reported³	\$ 33.6	\$ 29.2	\$ 4.4

¹ Combined CVD and ADD deposit rate of 5.87%

² Q2 2023 expense reflects estimated ADD accrual rate of 20.00% for Q2 2023 and Q1 2023

³ Combined CVD and ADD accrual rate of 20.95% for Q2 2023 and Q1 2023

Canfor Corporation Lumber: Q2 2023 vs. Q1 2023



(millions of dollars, unless otherwise noted)	Q2 2023	Q1 2023	Variance
Sales	\$ 1,196.5	\$ 1,142.1	\$ 54.4
Operating income (loss) before amortization	\$ 69.0	\$ (92.2)	\$ 161.2
Operating loss, as reported	\$ (15.5)	\$ (169.7)	\$ 154.2
Inventory write-down (recovery), net	\$ (64.3)	\$ 58.5	\$ (122.8)
Operating loss, as adjusted	\$ (79.8)	\$ (111.2)	\$ 31.4
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 481	\$ 522	\$ (41)
Average SYP East 2x4 #2 lumber price in US\$	\$ 486	\$ 485	\$ 1
Average SYP East 2x6 #2 lumber price in US\$	\$ 385	\$ 420	\$ (35)
Production - Western SPF lumber (MMfbm)	542	531	11
Production - SYP lumber (MMfbm)	428	410	18
Production - EUR lumber (MMfbm)	344	373	(29)
Shipments - Canfor-produced Western SPF lumber (MMfbm)	578	497	81
Shipments - Canfor-produced SYP lumber (MMfbm)	435	404	31
Shipments - Canfor-produced EUR lumber (MMfbm)	393	439	(46)

Adjusted lumber segment operating loss of \$80 million, \$31 million favourable to Q1

- Strong results from the Company's European and US South operations with persistent challenges in British Columbia
- North American lumber markets faced continued downward pressure which led to generally weak lumber benchmark pricing in Q2; these pricing factors were coupled with higher North American production & shipments despite market-related temporary downtime and sawmill closures in BC
- Western Canada:** Western SPF unit sales realizations principally reflected US-dollar benchmark pricing declines; uplift in shipments tied to a draw-down of inventory & increased production; the latter driven by reduced market-related curtailments in Q2 (versus Q1), offset by sawmill closures & wildfire downtime
- US South:** Increase in SYP unit sales realizations largely correlated to an uptick in pricing for certain wider-width dimension products, mitigated, to a degree, by a decline in SYP 2x6 #2 pricing q/q; higher production primarily driven by the start-up of the DeRidder sawmill in early 2023, and in part, operational efficiencies in Q2
- Europe:** Higher unit sales realizations tied to improved pricing in Europe & UK; lower production & shipments due to increased statutory holidays & reduced log supply

Canfor Pulp Products Inc. Pulp: Q2 2023 vs. Q1 2023



(millions of dollars unless otherwise noted)	Q2 2023	Q1 2023	Variance
Gross Sales	\$ 249.5	\$ 243.3	\$ 6.2
Reported operating income (loss) by segment:			
Pulp	\$ (36.0)	\$ (24.4)	\$ (11.6)
Paper	\$ 0.7	\$ 3.3	\$ (2.6)
Unallocated	\$ (2.6)	\$ (4.1)	\$ 1.5
Total operating loss, as reported	\$ (37.9)	\$ (25.2)	\$ (12.7)
Inventory write-down, net	\$ 6.9	\$ 3.6	\$ 3.3
Total operating loss, as adjusted	\$ (31.0)	\$ (21.6)	\$ (9.4)
Reported operating income (loss) before amortization:			
Pulp	\$ (14.1)	\$ (0.2)	\$ (13.9)
Paper	\$ 1.4	\$ 3.7	\$ (2.3)
Unallocated	\$ (2.6)	\$ (4.1)	\$ 1.5
Total operating loss before amortization, as reported	\$ (15.3)	\$ (0.6)	\$ (14.7)
Inventory write-down, net	\$ 6.9	\$ 3.6	\$ 3.3
Total operating income (loss) before amortization, as adjusted	\$ (8.4)	\$ 3.0	\$ (11.4)
Average NBSK pulp list price delivered to China - US\$	\$ 668	\$ 891	\$ (223)
Average NBSK pulp list price delivered to China - CDN\$	\$ 897	\$ 1,204	\$ (307)
Production - Pulp (000 mt)	151	181	(30)
Shipments - Pulp (000 mt)	179	152	27

Canfor Pulp adjusted operating loss of \$31 million, down \$9 million from Q1

- Global pulp market fundamentals deteriorated significantly in Q2 as weak demand was combined with elevated global market pulp producer inventory levels
- Decline in NBSK unit sales realizations quarter-over-quarter largely driven by a substantial drop in global US-dollar NBSK list prices, offset, in part, by a favourable timing lag in shipments (vs orders)
- Pulp production down 17% reflecting the permanent closure of the pulp line at the Prince George NBSK Pulp and Paper mill & operational reliability challenges at the Northwood NBSK pulp mill