

Financial Performance Overview – Quarter 2, 2024



Canfor Corporation & Canfor Pulp Products Inc.

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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, 2024, 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, 2023.

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Q2 2024 Review: Items impacting earnings comparability

Millions of dollars (except for per share amounts)	Q2 2024		Q1 2024	
	\$	\$/Share	\$	\$/Share
Shareholder net loss, as reported	\$ (191.1)	\$ (1.61)	\$ (64.5)	\$ (0.54)
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange loss on term debt	\$ 3.1	\$ 0.03	\$ 6.6	\$ 0.05
(Gain) loss on derivative financial instruments	\$ (3.9)	\$ (0.03)	\$ 5.8	\$ 0.05
Asset write-downs and impairments	\$ 23.2	\$ 0.19	\$ -	\$ -
Net impact of above items	\$ 22.4	\$ 0.19	\$ 12.4	\$ 0.10
Shareholder net loss, as adjusted	\$ (168.7)	\$ (1.42)	\$ (52.1)	\$ (0.44)

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Sales, operating & cash earnings summary: Q2 2024 vs. Q1 2024

Millions of dollars (unless otherwise noted)	Q2 2024	Q1 2024	Variance
Gross sales	\$ 1,381.5	\$ 1,382.7	\$ (1.2)
Reported operating loss by segment:			
Lumber	\$ (230.5)	\$ (57.1)	\$ (173.4)
Pulp and Paper	\$ (5.6)	\$ (15.7)	\$ 10.1
Unallocated and Other	\$ (14.7)	\$ (13.0)	\$ (1.7)
Total operating loss, as reported	\$ (250.8)	\$ (85.8)	\$ (165.0)
Asset write-downs and impairments	\$ 31.6	\$ -	\$ 31.6
Inventory write-down (recovery)	\$ 51.4	\$ (30.2)	\$ 81.6
Total operating loss, as adjusted	\$ (167.8)	\$ (116.0)	\$ (51.8)
Restructuring costs	\$ 38.5	\$ -	\$ 38.5
Total operating loss, as adjusted, excl. restructuring costs	\$ (129.3)	\$ (116.0)	\$ (13.3)
Amortization	\$ 120.9	\$ 105.6	\$ 15.3
Total operating loss before amortization, as adjusted, excl. restructuring costs¹	\$ (8.4)	\$ (10.4)	\$ 2.0

¹ Results include an incremental duty expense of \$40.0 million in Q2 2024 and \$15.4 million in Q1 2024.

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Countervailing & anti-dumping duty summary

Millions of dollars	Q2 2024	Q1 2024	Variance
Effective Duties by Quarter			
Cash deposits paid ¹	\$ 12.0	\$ 13.0	\$ 1.0
Incremental duty expense attributable to current quarter ²	\$ 26.6	\$ 15.4	\$ (11.2)
Duty expense before prior period adjustments³	\$ 38.6	\$ 28.4	\$ (10.2)
Duty expense attributable to prior periods ⁴	\$ 13.4	\$ -	\$ (13.4)
Duty expense, as reported	\$ 52.0	\$ 28.4	\$ (23.6)

¹ Combined CVD and ADD deposit rate of 6.61%.

² Duty expense reflects the estimated ADD accrual rate of 25.00% for Q2 2024 and 15.00% for Q1 2024.

³ Combined CVD and ADD accrual rate of 26.36% for Q2 2024 and 16.36% for Q1 2024.

⁴ Q2 2024 duty expense reflected a 10.00% increase in the estimated ADD accrual rate applicable to Q1 2024 during the seventh period of administrative review (January to December 2024).

Canfor Corporation - Lumber.

Q2 2024 vs. Q1 2024

Millions of dollars (unless otherwise noted)	Q2 2024	Q1 2024	Variance
Sales	\$ 1,161.6	\$ 1,160.4	\$ 1.2
Operating income (loss) before amortization, asset write-downs and impairments	\$ (95.8)	\$ 31.0	\$ (126.8)
Operating loss, as reported	\$ (230.5)	\$ (57.1)	\$ (173.4)
Asset write-downs and impairments	\$ 31.6	\$ -	\$ 31.6
Inventory write-down (recovery)	\$ 51.4	\$ (30.2)	\$ 81.6
Total operating loss, as adjusted	\$ (147.5)	\$ (87.3)	\$ (60.2)
Restructuring costs	\$ 32.6	\$ -	\$ 32.6
Total operating loss, as adjusted, excl. restructuring costs	\$ (114.9)	\$ (87.3)	\$ (27.6)
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 528	\$ 602	\$ (74)
Average SYP East 2x4 #2 lumber price in US\$	\$ 354	\$ 419	\$ (65)
Average SYP East 2x6 #2 lumber price in US\$	\$ 308	\$ 354	\$ (46)
Production - Western SPF lumber (MMfbm)	507	506	1
Production - SYP lumber (MMfbm)	455	441	14
Production - EUR lumber (MMfbm)	364	350	14
Shipments - Western SPF lumber (MMfbm) ²	501	544	(43)
Shipments - SYP lumber (MMfbm) ²	456	431	25
Shipments - EUR lumber (MMfbm) ²	429	396	33

¹ After taking into consideration adjusting items consisting of a \$51.4 million inventory write-down, and an asset write-down and impairment charge of \$31.6 million, as well as restructuring costs of \$32.6 million.

² Includes Canfor produced lumber, as well as lumber purchased for resale, remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.

Lumber segment operating loss of \$115 million¹, \$28 million unfavourable to Q1

- Sustained weakness in North American lumber markets with continued downward pressure on benchmark pricing, particularly for Southern Yellow Pine ("SYP").
- Solid earnings from Europe; persistently weak SYP pricing negatively impacted results for the US South; Western Canadian results remained challenging.
- Announced permanent closure of Polar & Jackson sawmills and suspension of planned reinvestment in Houston.
- **Western Canada:** Western SPF unit sales realizations up slightly from Q1 as favourable offshore unit sales realizations (most notably Japan), combined with improved pricing for certain low-grade and specialty products, outweighed the 13% decline in the SPF 2x4 #2&Btr.
- **US South:** SYP unit sales realizations reflected the 16% decline in SYP East 2x4 #2 and 13% drop in SYP East 2x6 #2, mitigated to a degree by a slight uptick in pricing for certain wider-width dimension products.
- **Europe:** Moderately higher unit sales realizations related to improved market pricing in Central Europe, tempered in part by a 1% stronger Canadian dollar (versus the SEK).

Canfor Corporation - Lumber.

Cash earnings summary: Q2 2024 vs. Q1 2024

Millions of dollars (unless otherwise noted)	Q2 2024	Q1 2024	Variance
Operating loss, as reported	\$ (230.5)	\$ (57.1)	\$ (173.4)
Asset write-downs and impairments	\$ 31.6	\$ -	\$ 31.6
Inventory write-down (recovery)	\$ 51.4	\$ (30.2)	\$ 81.6
Total operating loss, as adjusted	\$ (147.5)	\$ (87.3)	\$ (60.2)
Restructuring costs	\$ 32.6	\$ -	\$ 32.6
Total operating loss, as adjusted, excl. restructuring costs	\$ (114.9)	\$ (87.3)	\$ (27.6)
Incremental duty expense	\$ 40.0	\$ 15.4	\$ 24.6
Total operating loss, as adjusted, excl. restructuring costs and duty expense	\$ (74.9)	\$ (71.9)	\$ (3.0)
Amortization	\$ 103.1	\$ 88.1	\$ 15.0
Total operating income before amortization, as adjusted, excl. restructuring costs and duty expense	\$ 28.2	\$ 16.3	\$ 11.9

Canfor Pulp Products Inc.

Q2 2024 vs. Q1 2024

Millions of dollars (unless otherwise noted)	Q2 2024	Q1 2024	Variance
Gross Sales	\$ 220.0	\$ 222.3	\$ (2.3)
Reported operating income (loss) by segment:			
Pulp	\$ (4.7)	\$ (13.6)	\$ 8.9
Paper	\$ 1.9	\$ 1.1	\$ 0.8
Unallocated	\$ (2.8)	\$ (3.2)	\$ 0.4
Total operating loss, as reported	\$ (5.6)	\$ (15.7)	\$ 10.1
Restructuring costs	\$ 5.9	\$ -	\$ 5.9
Total operating income (loss), as reported, excl. restructuring costs	\$ 0.3	\$ (15.7)	\$ 16.0
Reported operating income (loss) before amortization:			
Pulp	\$ 10.7	\$ 2.5	\$ 8.2
Paper	\$ 3.1	\$ 1.9	\$ 1.2
Unallocated	\$ (2.8)	\$ (3.2)	\$ 0.4
Total operating income before amortization, as reported	\$ 11.0	\$ 1.2	\$ 9.8
Average NBSK pulp list price delivered to China - US\$	\$ 811	\$ 745	\$ 66
Average NBSK pulp list price delivered to China - CDN\$	\$ 1,109	\$ 1,005	\$ 104
Production - Pulp (000 mt)	130	158	(28)
Shipments - Pulp (000 mt)	145	159	(14)

Canfor Pulp operating loss of \$6 million, \$10 million favourable to Q1

- Strong global pulp pricing primarily in response to global supply disruptions.
- Moderately higher NBSK unit sales realizations quarter-over-quarter primarily tied to the uplift in US-dollar NBSK pulp list prices to China and other global regions, offset to a degree by an unfavourable timing lag in shipments (versus orders).
- Pulp production decreased 18% from Q1 driven by a reduction in operating days at Intercon due to unanticipated recovery boiler repairs and start up challenges.
- Announced indefinite curtailment of one production line at Northwood NBSK pulp mill driven by the decline in availability of economic fibre in the northern British Columbia region.