

**Financial Performance Overview – Quarter 3, 2024**



# Canfor Corporation & Canfor Pulp Products Inc.

Presented by: Pat Elliott – CFO & SVP, Sustainability

## 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 Accounting Standards and are defined as non-IFRS financial measures. Refer to the “Overview, including adjusting and one-time items” and “Non-IFRS financial measures” sections of the Management Discussion & Analysis for Canfor Corporation, and the “Overview” and “Non-IFRS financial measures” sections for Canfor Pulp Products Inc., for the quarter ended September 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.

# Canfor Corporation.

## Q3 2024 Review: Items impacting earning comparability

Millions of dollars (except for per share amounts)	Q3 2024		Q2 2024	
	\$	\$/Share	\$	\$/Share
<b>Shareholder net loss, as reported</b>	<b>\$ (350.1)</b>	<b>\$ (2.96)</b>	<b>\$ (191.1)</b>	<b>\$ (1.61)</b>
Non-operating items (after-tax, net of non-controlling interests)				
Foreign exchange (gain) loss on term debt	\$ (3.5)	\$ (0.03)	\$ 3.1	\$ 0.03
(Gain) loss on derivative financial instruments	\$ 0.2	\$ -	\$ (3.9)	\$ (0.03)
Asset write-downs and impairments	\$ 158.7	\$ 1.34	\$ 23.2	\$ 0.19
Net impact of above items	\$ 155.4	\$ 1.31	\$ 22.4	\$ 0.19
<b>Shareholder net loss, as adjusted</b>	<b>\$ (194.7)</b>	<b>\$ (1.65)</b>	<b>\$ (168.7)</b>	<b>\$ (1.42)</b>

# Canfor Corporation.

## Sales, operating & cash earnings summary: Q3 2024 vs. Q2 2024

Millions of dollars (unless otherwise noted)	Q3 2024	Q2 2024	Variance
Gross sales	\$ 1,202.9	\$ 1,381.5	\$ (178.6)
<b>Reported operating loss by segment</b>			
Lumber	\$ (336.2)	\$ (230.5)	\$ (105.7)
Pulp and Paper	\$ (209.3)	\$ (5.6)	\$ (203.7)
Unallocated and Other	\$ (14.2)	\$ (14.7)	\$ 0.5
<b>Total operating loss, as reported</b>	\$ (559.7)	\$ (250.8)	\$ (308.9)
<b>Adjusting and one-time items<sup>1</sup></b>			
Lumber	\$ 207.7	\$ 115.6	\$ 92.1
Pulp and Paper	\$ 211.0	\$ -	\$ 211.0
Unallocated and Other	\$ 2.1	\$ -	\$ 2.1
<b>Total operating loss, before adjusting and one-time items</b>	\$ (138.9)	\$ (135.2)	\$ (3.7)
Amortization	\$ 104.0	\$ 120.9	\$ (16.9)
<b>Total operating loss, before amortization, adjusting and one-time items</b>	\$ (34.9)	\$ (14.3)	\$ (20.6)

<sup>1</sup> Refer to the Appendix for a detailed list of adjusting and one-time items.

# Canfor Corporation.

## Countervailing & anti-dumping duty summary

Millions of dollars	Q3 2024	Q2 2024	Variance
<b>Effective duties by quarter</b>			
Cash deposits paid <sup>1</sup>	\$ 15.8	\$ 12.0	\$ (3.8)
Incremental duty expense attributable to current quarter <sup>2</sup>	\$ 17.9	\$ 26.6	\$ 8.7
<b>Duty expense, before prior period adjustments<sup>3</sup></b>	\$ 33.7	\$ 38.6	\$ 4.9
Duty related to prior quarter in POR7 <sup>4</sup>	\$ -	\$ 13.4	\$ 13.4
Duty expense related to finalization of POR5 rates <sup>5</sup>	\$ 67.2	\$ -	\$ (67.2)
Duty expense related to refined fair value measurement <sup>6</sup>	\$ 53.4	\$ -	\$ (53.4)
<b>Duty expense, as reported</b>	\$ 154.3	\$ 52.0	\$ (102.3)

<sup>1</sup> Combined CVD and ADD deposit rate of 6.61% until July 2024, 16.58% thereafter.

<sup>2</sup> Duty expense reflects the estimated ADD accrual rate of 25.00%.

<sup>3</sup> Combined CVD and ADD accrual rate of 26.36% until July 2024, 31.14% thereafter.

<sup>4</sup> 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 ("POR7") (January to December 2024).

<sup>5</sup> Q3 2024 duty expense reflects the finalized rates for the fifth period of administrative review ("POR5"), outlined below.

<sup>6</sup> Q3 2024 duty expense related to the Company's refined estimate of the fair value measurement of net duty deposits recoverable.

### Final results of the fifth period of review (POR5) (2022) announced by US Department of Commerce ("DOC") in August 2024:

- Total cumulative cash deposits paid to September 30, 2024 of \$971.8 million.
- CVD: deposit rate of 2.42% from January to July 2022 & 0.95% from August to December 2022; final rate of 6.14% for POR5.
- ADD: deposit rate of 17.12% from January to July 2022 & 4.92% from August to December 2022; final rate of 10.44% for POR5.
- Total combined CVD and ADD expense of \$67.2 million (US\$48.6 million) recognized in Q3 2024 upon finalization of rates.
- No cash duties to be refunded until litigation regarding the imposition of CVD and ADD has been settled.

# Canfor Corporation - Lumber.

## Q3 2024 vs. Q2 2024

Millions of dollars (unless otherwise noted)	Q3 2024	Q2 2024	Variance
Sales	\$ 1,009.7	\$ 1,161.6	\$ (151.9)
Lumber operating loss, as reported	\$ (336.2)	\$ (230.5)	\$ (105.7)
Adjusting and one-time items - lumber segment <sup>1</sup>	\$ 207.7	\$ 115.6	\$ 92.1
<b>Lumber operating loss, before adjusting and one-time items</b>	<b>\$ (128.5)</b>	<b>\$ (114.9)</b>	<b>\$ (13.6)</b>
Amortization	\$ 86.1	\$ 103.1	\$ (17.0)
<b>Lumber operating loss, before amortization, adjusting and one-time items</b>	<b>\$ (42.4)</b>	<b>\$ (11.8)</b>	<b>\$ (30.6)</b>
Average Western SPF 2x4 #2&Btr lumber price in CDN\$	\$ 499	\$ 528	\$ (29)
Average SYP East 2x4 #2 lumber price in US\$	\$ 380	\$ 354	\$ 26
Average SYP East 2x6 #2 lumber price in US\$	\$ 270	\$ 308	\$ (38)
Production - Western SPF lumber (MMfbm)	412	507	(95)
Production - SYP lumber (MMfbm)	395	455	(60)
Production - EUR lumber (MMfbm)	316	364	(48)
Shipments - Western SPF lumber (MMfbm) <sup>2</sup>	442	501	(59)
Shipments - SYP lumber (MMfbm) <sup>2</sup>	417	456	(39)
Shipments - EUR lumber (MMfbm) <sup>2</sup>	369	429	(60)

<sup>1</sup> Refer to the Appendix for a detailed list of adjusting and one-time items.

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

### Lumber segment operating loss of \$129 million<sup>1</sup>, \$14 million unfavourable to Q2

- Persistent pressure on North American lumber markets and pricing, especially in the US South; positive earnings in Alberta and Europe.
- Ongoing North American lumber market weakness, high duties and continued challenges accessing economic fibre led to announced closure of Plateau & Fort St. John sawmills and asset write-down and impairment charge of \$100 million<sup>1</sup>.
- Production and shipments down 15% and 11%, respectively, driven by sawmill closures & curtailments in British Columbia, market and capital downtime in the US South, and regular summer downtime in Europe.
- **Western Canada:** Western Spruce/Pine/Fir ("SPF") unit sales realizations primarily reflected a 5% decline in SPF 2x4 #2&Btr, offset slightly by improved pricing for wider-width dimension products.
- **US South:** Southern Yellow Pine ("SYP") unit sales realizations modestly lower reflecting 12% decline in SYP East 2x6 #2, and more pronounced pricing declines for most wider-widths, mitigated in part by 7% higher SYP East 2x4 #2.
- **Europe:** European lumber unit sales realizations broadly comparable quarter-over-quarter.

# Canfor Corporation - Lumber.

## Cash earnings summary: Q3 2024 vs. Q2 2024

Millions of dollars (unless otherwise noted)	Q3 2024	Q2 2024	Variance
Lumber operating loss, as reported	\$ (336.2)	\$ (230.5)	\$ (105.7)
Adjusting and one-time items - lumber segment <sup>1</sup>	\$ 207.7	\$ 115.6	\$ 92.1
<b>Lumber operating loss, before adjusting and one-time items</b>	<b>\$ (128.5)</b>	<b>\$ (114.9)</b>	<b>\$ (13.6)</b>
ADD duty expense vs deposit rate for Q3	\$ 17.9	\$ 40.0	\$ (22.1)
<b>Lumber operating loss, before adjusting, one-time items and incremental duty expense</b>	<b>\$ (110.6)</b>	<b>\$ (74.9)</b>	<b>\$ (35.7)</b>
Amortization	\$ 86.1	\$ 103.1	\$ (17.0)
<b>Lumber operating income (loss), before amortization, adjusting, one-time items and incremental duty expense</b>	<b>\$ (24.5)</b>	<b>\$ 28.2</b>	<b>\$ (52.7)</b>

<sup>1</sup> Refer to the Appendix for a detailed list of adjusting and one-time items.

# Canfor Pulp Products Inc.

## Pulp: Q3 2024 vs. Q2 2024

Millions of dollars (unless otherwise noted)	Q3 2024	Q2 2024	Variance
Gross Sales	\$ 193.2	\$ 220.0	\$ (26.8)
<b>Reported operating income (loss) by segment</b>			
Pulp	\$ (205.1)	\$ (3.6)	\$ (201.5)
Paper	\$ (0.8)	\$ 1.9	\$ (2.7)
Unallocated	\$ (3.4)	\$ (3.9)	\$ 0.5
<b>Pulp operating loss, as reported</b>	\$ (209.3)	\$ (5.6)	\$ (203.7)
Asset write-down and impairment – pulp segment <sup>1</sup>	\$ 211.0	\$ -	\$ 211.0
<b>Pulp adjusted operating income (loss)</b>	\$ 1.7	\$ (5.6)	\$ 7.3
<b>Reported operating income (loss) before amortization, asset write-down and impairment</b>			
Pulp	\$ 21.6	\$ 11.8	\$ 9.8
Paper	\$ 0.5	\$ 3.1	\$ (2.6)
Unallocated	\$ (3.3)	\$ (3.9)	\$ 0.6
<b>Pulp adjusted operating income before amortization, asset write-down and impairment</b>	\$ 18.8	\$ 11.0	\$ 7.8
Average NBSK pulp list price delivered to China - US\$	\$ 771	\$ 811	\$ (40)
Average NBSK pulp list price delivered to China - CDN\$	\$ 1,052	\$ 1,109	\$ (57)
Production - Pulp (000 mt)	125	130	(5)
Shipments - Pulp (000 mt)	125	145	(20)

<sup>1</sup> Refer to the Appendix for a consolidated list of adjusting and one-time items, including the asset write-down and impairment for the pulp segment.

### Canfor Pulp operating income of \$2 million<sup>1</sup>, \$7 million favourable to Q2

- Modest improvement in average NBSK pulp unit sales realizations driven by steady North American pulp pricing and favourable timing lag in shipments, despite weak demand in China & notable increase in pulp producer inventory levels.
- Pulp production down 4% from Q2 primarily due to the indefinite closure of one production line at Northwood in August.
- Further deterioration in the outlook for economic fibre supply following recent sawmill closure announcements in the British Columbia Interior gave rise to an asset write-down and impairment charge of \$211 million.



# Appendix.



# Summary of adjusting and one-time items.

## Consolidated – Q3 2024 vs. Q2 2024

Operating income (Loss)	Q3 2024 Actual	Q2 2024 Actual
Operating loss, as reported	\$ (559.7)	\$ (250.8)
Asset write-down and impairment – lumber segment	\$ 100.3	\$ 31.6
Asset write-down and impairment – pulp segment	\$ 211.0	-
Inventory write-down (recovery), net <sup>1</sup>	\$ (14.8)	\$ 51.4
<b>Consolidated adjusted operating loss</b>	<b>\$ (263.2)</b>	<b>\$ (167.8)</b>
One-time items – lumber segment		
Restructuring and closure costs <sup>2</sup>	\$ 36.5	\$ 32.6
Gain on sale of assets, net <sup>3</sup>	\$ (34.9)	-
Duty expense related to finalized rates <sup>4</sup>	\$ 67.2	-
Duty expense related to fair value measurement <sup>5</sup>	\$ 53.4	-
One-time items – corporate restructuring costs <sup>2</sup>	\$ 2.1	-
<b>Consolidated adjusted operating loss, before one-time items</b>	<b>\$ (138.9)</b>	<b>\$ (135.2)</b>
Amortization	\$ 104.0	\$ 120.9
<b>Consolidated adjusted operating loss, before amortization and one-time items</b>	<b>\$ (34.9)</b>	<b>\$ (14.3)</b>

1. For the lumber segment, a \$14.8 million net reversal of a previously recognized inventory write-down was recorded in Q3 2024 (Q2 2024 – \$51.4 million net inventory write-down expense). For the pulp and paper segment, no inventory valuation adjustment was recognized in Q3 2024 and Q2 2024.

2. Restructuring and closure costs of \$38.6 million (\$36.5 million in the lumber segment and \$2.1 million in the unallocated segment), largely comprised of severance, were recognized in Q3 2024 related to the permanent closures of Plateau and Fort St. John (Q2 2024 – restructuring and closure costs of \$32.6 million related to Polar and Houston).

3. Gain on sale is primarily related to the sale of the Company's remaining Mackenzie sawmill assets and forest tenure in Q3 2024 to the McLeod Lake Indian Band and Tsay Keh Dene Nation for \$66.5M.

4. Duty expense of \$67.2M recognized in Q3 2024 following the finalization of CVD and ADD rates applicable to POR5.

5. In Q3 2024, the Company refined its estimate of the fair value measurement of net duty deposits recoverable.

# Summary of adjusting and one-time items.

## Lumber– Q3 2024 vs. Q2 2024

Operating income (Loss)	Q3 2024 Actual	Q2 2024 Actual
Operating loss, as reported	\$ (336.2)	\$ (230.5)
Asset write-down and impairment – lumber segment	\$ 100.3	\$ 31.6
Inventory write-down (recovery), net <sup>1</sup>	\$ (14.8)	\$ 51.4
<b>Lumber adjusted operating loss</b>	<b>\$ (250.7)</b>	<b>\$ (147.5)</b>
One-time items – lumber segment		
Restructuring and closure costs <sup>2</sup>	\$ 36.5	\$ 32.6
Gain on sale of assets, net <sup>3</sup>	\$ (34.9)	-
Duty expense related to finalized rates <sup>4</sup>	\$ 67.2	-
Duty expense related to fair value measurement <sup>5</sup>	\$ 53.4	-
<b>Lumber adjusted operating loss, before one-time items</b>	<b>\$ (128.5)</b>	<b>\$ (114.9)</b>
Amortization	\$ 86.1	\$ 103.1
<b>Lumber adjusted operating loss, before amortization and one-time items</b>	<b>\$ (42.4)</b>	<b>\$ (11.8)</b>

## Pulp– Q3 2024 vs. Q2 2024

Operating income (Loss)	Q3 2024 Actual	Q2 2024 Actual
Operating loss, as reported	\$ (209.3)	\$ (5.6)
Asset write-down and impairment – pulp segment	\$ 211.0	-
<b>Pulp adjusted operating loss</b>	<b>\$ 1.7</b>	<b>\$ (5.6)</b>
Amortization	\$ 17.1	\$ 16.6
<b>Pulp adjusted operating income (loss) before amortization</b>	<b>\$ 18.8</b>	<b>\$ 11.0</b>

1. For the lumber segment, a \$14.8 million net reversal of a previously recognized inventory write-down was recorded in Q3 2024 (Q2 2024 – \$51.4 million net inventory write-down expense).

2. Restructuring and closure costs of \$38.6 million (\$36.5 million in the lumber segment and \$2.1 million in the unallocated segment), largely comprised of severance, were recognized in Q3 2024 related to the permanent closures of Plateau and Fort St. John (Q2 2024 – restructuring and closure costs of \$32.6 million related to Polar and Houston).

3. Gain on sale is primarily related to the sale of the Company's remaining Mackenzie sawmill assets and forest tenure in Q3 2024 to the McLeod Lake Indian Band and Tsay Keh Dene Nation for \$66.5M.

4. Duty expense of \$67.2M recognized in Q3 2024 following the finalization of CVD and ADD rates applicable to POR5.

5. In Q3 2024, the Company refined its estimate of the fair value measurement of net duty deposits recoverable.