CANFOR

Canfor Pulp.

2025 Quarter One – Financial statements

For the three months ended March 31, 2025.

Canfor Pulp Products Inc.

Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)	As at March 31, 2025	As at December 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	**$ 3.4**	$ 15.3
Trade receivables	**35.7**	30.1
Other receivables	**7.2**	7.6
Inventories (Note 2)	**153.1**	155.5
Prepaid expenses and other	**7.9**	7.6
Total current assets	**207.3**	216.1
Property, plant and equipment and intangible assets	**184.9**	189.7
Right-of-use assets	**1.0**	1.2
Other long-term assets	**4.7**	5.7
Deferred income taxes, net	**38.3**	40.2
Total assets	**$ 436.2**	$ 452.9
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 131.4**	$ 129.5
Operating loan (Note 3)	**75.0**	98.0
Current portion of lease obligations	**0.6**	0.7
Total current liabilities	**207.0**	228.2
Retirement benefit obligations (Note 4)	**40.3**	39.8
Lease obligations	**1.2**	1.2
Other long-term liabilities	**6.4**	7.7
Total liabilities	**$ 254.9**	$ 276.9
EQUITY		
Share capital	**$ 480.8**	$ 480.8
Accumulated deficit	**(299.5)**	(304.8)
Total equity	**$ 181.3**	$ 176.0
Total liabilities and equity	**$ 436.2**	$ 452.9

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

APPROVED BY THE BOARD

"N.J. Mayr" *"The Hon. J.R. Baird"*

Director, N.J. Mayr Director, The Hon. J.R. Baird

Canfor Pulp Products Inc.

Condensed Consolidated Statements of Income (Loss)

(millions of Canadian dollars, except per share data, unaudited)	3 months ended March 31, **2025**	2024
Sales	**$ 196.2**	$ 222.3
Costs and expenses		
Manufacturing and product costs	**148.4**	186.8
Freight and other distribution costs	**22.5**	27.3
Amortization	**10.5**	16.9
Selling and administration costs	**4.0**	7.0
	185.4	238.0
Operating income (loss)	**10.8**	(15.7)
Finance expense, net	**(2.8)**	(4.2)
Other income, net	**0.3**	16.5
Net income (loss) before income taxes	**8.3**	(3.4)
Income tax recovery (expense) (Note 5)	**(2.3)**	1.0
Net income (loss)	**$ 6.0**	$ (2.4)
Net income (loss) per common share: (in Canadian dollars)		
Attributable to equity shareholders of the Company		
- Basic and diluted (Note 6)	**$ 0.09**	$ (0.04)

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Canfor Pulp Products Inc.

Condensed Consolidated Statements of Other Comprehensive Income

(millions of Canadian dollars, unaudited)	3 months ended March 31, **2025**	2024
Net income (loss)	**$ 6.0**	$ (2.4)
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to net income (loss):		
Defined benefit plan actuarial gains (losses), net (Note 4)	**(0.9)**	3.5
Income tax recovery (expense) on defined benefit plan actuarial gains (losses), net (Note 5)	**0.2**	(0.9)
Other comprehensive income (loss), net of tax	**(0.7)**	2.6
Total comprehensive income	**$ 5.3**	$ 0.2

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended March 31, **2025**	2024
Share capital		
Balance at beginning and end of period	**$ 480.8**	$ 480.8
Accumulated deficit		
Balance at beginning of period	**$ (304.8)**	$ (143.7)
Net income (loss)	**6.0**	(2.4)
Other comprehensive income (loss), net of tax	**(0.7)**	2.6
Balance at end of period	**$ (299.5)**	$ (143.5)
Total equity	**$ 181.3**	$ 337.3

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Canfor Pulp Products Inc.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended March 31, 2025	3 months ended March 31, 2024
Cash generated from (used in):		
Operating activities		
Net income (loss)	**$ 6.0**	$ (2.4)
Items not affecting cash:		
Amortization	**10.5**	16.9
Income tax expense (recovery) (Note 5)	**2.3**	(1.0)
Employee future benefits expense	**0.3**	0.5
Finance expense, net	**2.8**	4.2
Other, net	**0.8**	1.1
Defined benefit plan contributions	**(0.7)**	(1.1)
Income taxes paid, net	**(0.5)**	(0.1)
	21.5	18.1
Net change in non-cash working capital (Note 7)	**1.3**	(3.1)
	22.8	15.0
Financing activities		
Operating loan drawings (repayments), net (Note 3)	**(23.0)**	4.0
Payments of lease obligations	**(0.2)**	(0.2)
Finance expenses paid	**(2.6)**	(3.9)
	(25.8)	(0.1)
Investing activities		
Additions to property, plant and equipment and intangible assets	**(9.0)**	(12.0)
Proceeds from sale of Taylor pulp mill	**-**	1.9
Other, net	**0.1**	0.2
	(8.9)	(9.9)
Increase (decrease) in cash and cash equivalents*	**(11.9)**	5.0
Cash and cash equivalents at beginning of period*	**15.3**	21.1
Cash and cash equivalents at end of period*	**$ 3.4**	$ 26.1

*Cash and cash equivalents include cash on hand less unpresented cheques.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, and include the accounts of Canfor Pulp Products Inc. and its subsidiary entities, hereinafter referred to as "CPPI" or "the Company." At March 31, 2025 and May 7, 2025, Canfor Corporation ("Canfor") held a 54.8% interest in CPPI.

These financial statements do not include all of the disclosures required by IFRS Accounting Standards ("IFRS") for annual financial statements. Additional disclosures relevant to the understanding of these financial statements, including the accounting policies applied, can be found in the Company's Annual Report for the year ended December 31, 2024, available at www.canfor.com or www.sedarplus.com.

These financial statements were authorized for issue by the Company's Board of Directors on May 7, 2025.

2. Inventories

(millions of Canadian dollars, unaudited)		**As at March 31, 2025**		As at December 31, 2024
Pulp	**$**	**33.7**	$	41.7
Paper		**30.8**		31.4
Wood chips and logs		**38.0**		32.4
Materials and supplies		**50.6**		50.0
	$	**153.1**	$	155.5

The above inventory balances are stated at the lower of cost and net realizable value.

3. Operating Loan

(millions of Canadian dollars, unaudited)		**As at March 31, 2025**		As at December 31, 2024
Operating loan facility	**$**	**160.0**	$	160.0
Letters of credit		**(6.0)**		(6.0)
Operating loan facility drawn		**(75.0)**		(98.0)
Total available operating loan facility	**$**	**79.0**	$	56.0

The terms of the Company's operating loan facility include interest payable at floating rates that vary depending on the ratio of net debt to total capitalization and is based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin.

The operating loan facility is repayable on May 2, 2027, and has certain financial covenants, including a maximum net debt to total capitalization ratio of 60.0% (2024 – 50.0%) and a minimum earnings before interest, taxes, depreciation and amortization ("EBITDA") interest coverage ratio test of two times, which becomes effective if the net debt to total capitalization ratio exceeds 42.5%. In addition, if the net debt to total capitalization reaches a certain threshold, a general security agreement on the property of the Company is introduced and the minimum EBITDA interest coverage ratio is lowered to one and a half times.

At March 31, 2025, the Company was fully in compliance with all covenants relating to its operating loan facility.

4. Employee Future Benefits

For the three months ended March 31, 2025, actuarial losses of $0.9 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations (comprised of defined benefit plans as well as other benefit plans), principally reflecting a 0.1% decrease in the discount rate used to value the net defined benefit obligations.

For the three months ended March 31, 2024, actuarial gains of $3.5 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations, principally reflecting a 0.3% increase in the discount rate used to value the net defined benefit obligations.

The discount rate assumptions used to estimate the changes in net retirement benefit obligations were as follows:

	Defined Benefit Pension Plans	**Other Benefit Plans**
March 31, 2025	**4.6%**	**4.6%**
December 31, 2024	4.7%	4.7%
March 31, 2024	4.9%	4.9%
December 31, 2023	4.6%	4.6%

5. Income Taxes

The components of the Company's income tax recovery (expense) are as follows:

(millions of Canadian dollars, unaudited)	3 months ended March 31, **2025**	2024
Current	**$ (0.1)**	$ (0.2)
Deferred	**(2.2)**	1.2
Income tax recovery (expense)	**$ (2.3)**	$ 1.0

The reconciliation of income taxes calculated at the statutory rate to the actual income tax recovery is as follows:

(millions of Canadian dollars, unaudited)	3 months ended March 31, **2025**	2024
Income tax recovery (expense) at statutory rate of 27.0% (2024 – 27.0%)	**$ (2.2)**	$ 0.9
Add (deduct):		
Entities with different income tax rates and other tax adjustments	**(0.1)**	0.1
Income tax recovery (expense)	**$ (2.3)**	$ 1.0

In addition to the amounts recorded to net income (loss), a tax recovery of $0.2 million was recorded to other comprehensive income (loss) in relation to actuarial losses on the Company's defined benefit plans for the three months ended March 31, 2025 (three months ended March 31, 2024 – $0.9 million expense).

6. Earnings (Loss) Per Common Share

Basic net income (loss) per common share is calculated by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period.

	3 months ended March 31, **2025**	2024
Weighted average number of common shares	**65,233,559**	65,233,559

As at March 31, 2025, and May 7, 2025, there were 65,233,559 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

7. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended March 31, **2025**	2024
Trade receivables	**$ (5.1)**	$ (1.5)
Inventories	**2.4**	11.2
Prepaid expenses and other	**(0.3)**	2.2
Accounts payable and accrued liabilities	**4.3**	(15.0)
Net change in non-cash working capital	**$ 1.3**	$ (3.1)

8. Segment Information

The Company has two reportable segments (pulp and paper), which operate as separate business units and represent separate product lines. Sales between the pulp and paper segments are accounted for at prices that approximate fair value. These include sales of slush pulp from the pulp segment to the paper segment.

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
3 months ended March 31, 2025					
Sales from contracts with customers	**$ 137.4**	**$ 58.8**	**$ -**	**$ -**	**$ 196.2**
Sales to other segments	**32.0**	**-**	**-**	**(32.0)**	**-**
Operating income (loss)	**6.8**	**5.4**	**(1.4)**	**-**	**10.8**
Amortization	**9.2**	**1.3**	**-**	**-**	**10.5**
Capital expenditures[1]	**8.7**	**0.3**	**-**	**-**	**9.0**
Total assets	**295.2**	**87.6**	**53.4**	**-**	**436.2**
3 months ended March 31, 2024					
Sales from contracts with customers	$ 170.5	$ 51.8	$ -	$ -	$ 222.3
Sales to other segments	24.2	-	-	(24.2)	-
Operating income (loss)	(13.6)	1.1	(3.2)	-	(15.7)
Amortization	16.1	0.8	-	-	16.9
Capital expenditures[1]	11.3	0.7	-	-	12.0
Total assets	540.7	77.0	43.7	-	661.4

[1.] Capital expenditures represent cash paid for capital assets during the periods.

Geographic Information

CPPI's products are marketed worldwide, with sales made to customers in a number of different countries. In presenting information on the basis of geographical location, sales are based on the geographical location of customers.

(millions of Canadian dollars, unaudited)	3 months ended March 31, **2025**			2024
Sales by location of customer				
Canada	**8%**	**$ 15.5**	6%	$ 14.2
Asia	**52%**	**104.1**	63%	139.8
United States	**30%**	**58.0**	22%	49.4
Europe	**4%**	**7.6**	5%	11.1
Other	**6%**	**11.0**	4%	7.8
	100%	**$ 196.2**	100%	$ 222.3

9. Related Party Transactions

For the three months ended March 31, 2025, the Company depended on Canfor to provide approximately 50% (three months ended March 31, 2024 – 70%) of its fibre supply as well as logs, hog fuel and administrative services. As a result of these relationships, the Company considers its operations to be dependent on its ongoing relationship with Canfor. The transactions with Canfor are consistent with the transactions described in the December 31, 2024 audited annual consolidated financial statements of CPPI and are based on agreed-upon amounts between the parties.

Transactions and payables to Canfor are summarized below:

(millions of Canadian dollars, unaudited)	3 months ended March 31, **2025**	2024
Transactions		
Purchase of wood chips, logs, hog fuel and administrative services	**$ 34.0**	$ 46.7

(millions of Canadian dollars, unaudited)	**As at March 31, 2025**	As at December 31, 2024
Balance Sheet		
Included in accounts payable and accrued liabilities	**$ 11.1**	$ 8.6