Canfor Corporation.

2026 Quarter Two – Interim report

For the three months ended June 30, 2026.

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To Our Shareholders.

Canfor Corporation (the "Company" or "Canfor") reported its second quarter of 2026 results:

Overview.

- Reported operating income of $5 million and a shareholder net loss of $19 million, which is equivalent to $0.16 per share.
- After taking into consideration adjusting and one-time items[1] of $19 million, adjusted operating income for Q2 2026 was $24 million, compared to an adjusted operating loss of $93 million in Q1 2026.
- Delivered solid results across all lumber operating regions as tighter lumber supply and seasonal demand supported a modest improvement in lumber benchmark prices.
- Announced the permanent closure of the Urshult and Orrefors sawmills in southern Sweden due to an ongoing imbalance between production capacity and available fibre supply.
- Global softwood pulp markets weakened further through Q2 2026, with prices pressured by ongoing structural changes in markets combined with subdued demand and elevated inventory levels.

Subsequent events.

- Completed the acquisition of PinkWood Ltd, Western Canada's largest I-joist facility based in Calgary, Alberta, adding 46 million linear feet of annual I-joist production capacity.
- Announced the permanent closure of the Northwood Northern Bleached Softwood Kraft ("NBSK") pulp mill in Prince George, British Columbia, which is anticipated to remove approximately 300,000 tonnes of annual NBSK production capacity.
- Announced the permanent closure of the Fox Creek sawmill in Fox Creek, Alberta, which is estimated to reduce annual lumber production capacity by approximately 120 million board feet.

Financial results.

The following table summarizes selected financial information for the Company for the comparative periods:

(millions of Canadian dollars, except per share amounts)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Sales	**$ 1,526.4**	$ 1,359.1	**$ 2,885.5**	$ 1,379.4	$ 2,796.9
Reported operating income before amortization, asset write-downs and impairments	**$ 114.5**	$ 28.5	**$ 143.0**	$ 39.6	$ 112.2
Reported operating income (loss)	**$ 4.8**	$ (72.5)	**$ (67.7)**	$ (251.4)	$ (279.9)
Net loss[2]	**$ (18.5)**	$ (72.1)	**$ (90.6)**	$ (202.8)	$ (233.8)
Net loss per share, basic and diluted[2]	**$ (0.16)**	$ (0.62)	**$ (0.77)**	$ (1.71)	$ (1.97)

[1]. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this news release are defined as non-IFRS financial measures. For further details, refer to the "Second quarter results, including adjusting and one-time items" table and the "Non-IFRS financial measures" sections of this document.

[2]. Attributable to equity shareholders of the Company.

The Company reported operating income of $4.8 million for the current quarter, compared to an operating loss of $72.5 million for the first quarter of 2026.

Second quarter results, including adjusting and one-time items.

After taking account of adjusting and one-time items totaling $18.8 million, as outlined in the table below, the Company's adjusted operating income for the second quarter of 2026 was $23.6 million compared to a similarly adjusted operating loss of $92.5 million for the previous quarter. These results primarily reflected improved results in the lumber segment, partially offset by lower earnings in the pulp and paper segment.

(millions of Canadian dollars)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Reported operating income (loss)	**$ 4.8**	$ (72.5)	**$ (67.7)**	$ (251.4)	$ (279.9)
Asset write-downs and impairments - lumber segment[3]	**13.7**	–	**13.7**	188.6	188.6
Inventory write-down (recovery), net[4]	**(3.7)**	(20.0)	**(23.7)**	12.1	8.4
Adjusted operating income (loss)[5]	**$ 14.8**	$ (92.5)	**$ (77.7)**	$ (50.7)	$ (82.9)
One-time items - lumber segment[5]					
Restructuring and closure costs[6]	**8.8**	–	**8.8**	6.7	6.7
Adjusted operating income (loss) before one-time items[5]	**$ 23.6**	$ (92.5)	**$ (68.9)**	$ (44.0)	$ (76.2)
Amortization	**96.0**	101.0	**197.0**	102.4	203.5
Adjusted operating income before amortization and one-time items[5]	**$ 119.6**	$ 8.5	**$ 128.1**	$ 58.4	$ 127.3

[3]. For the lumber segment, an asset write-down and impairment charge totaling $13.7 million was recognized in Q2 2026 (Q1 2026 – no asset write-down and impairment charges were recognized, Q2 2025 – $188.6 million asset write-down and impairment charge related to the permanent closures of Darlington and Estill sawmills).
[4]. For the lumber segment, a $7.0 million net reversal of a previously recognized inventory write-down was recorded in Q2 2026 (Q1 2026 – $20.0 million net reversal of a previously recognized inventory write-down, Q2 2025 – $9.2 million net inventory write-down expense). For the pulp and paper segment, a $3.3 million net inventory write-down expense was recognized in Q2 2026 (Q1 2026 – no inventory valuation adjustment was recognized, Q2 2025 – $2.9 million net inventory write-down expense).
[5]. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this news release are defined as non-IFRS financial measures. For further details, refer to the "Non-IFRS financial measures" section of this news release.
[6]. Restructuring and closure costs of $8.8 million were recognized in Q2 2026, primarily related to the permanent closures of the Urshult and Orrefors sawmills in Europe (Q1 2026 – no restructuring and closure costs were recognized, Q2 2025 – restructuring and closure costs of $6.7 million in the lumber segment, related to the permanent closures of Darlington and Estill sawmills).

Second quarter lumber segment highlights.

For the lumber segment, operating income was $41.2 million for the second quarter of 2026, compared to the previous quarter's operating loss of $43.7 million. After taking into consideration adjusting and one-time items totaling $15.5 million, as previously noted in the table, the lumber segment's adjusted operating income was $56.7 million, compared to a similarly adjusted operating loss of $63.7 million in the prior quarter. These adjusted earnings reflect solid results across all of the Company's operating regions, primarily driven by an uptick in lumber unit sales realizations, largely associated with higher benchmark prices, and, to a lesser extent, an increase in lumber production as well as an improvement in lumber unit manufacturing and product costs.

In May 2026, the Company announced that it would permanently close its Urshult and Orrefors sawmills in Sweden. The closures reflect an ongoing imbalance between production capacity and fibre supply in southern Sweden. As a result of this announcement, the Company recognized an asset write-down and impairment charge of $13.7 million and restructuring costs of $8.8 million in the second quarter of 2026.

North American lumber markets modestly strengthened through most of the second quarter of 2026. Despite persistent affordability challenges, elevated mortgage rates, and geopolitical uncertainty, tighter supply and seasonal demand contributed to improved market fundamentals in the current quarter. A modest uptick in North American benchmark lumber prices during the period was driven primarily by lean field inventories, constrained transportation capacity, and increased species substitution, which particularly benefited Southern Yellow Pine ("SYP") pricing. Meanwhile, the repair and remodeling sector remained relatively resilient throughout the current quarter.

Offshore lumber market conditions remained under pressure throughout the second quarter of 2026. In Japan, weak housing starts, reduced import volumes into the region and a structural shift towards a greater use of domestic fibre, continued to weigh on lumber demand. Shortages of petroleum-based building materials further delayed construction activity during the period. In China, construction activity remained subdued, resulting in continued weak lumber demand.

Following weak market fundamentals in the first quarter, European lumber markets experienced some positive momentum through the second quarter of 2026. Leaner inventory levels supported modest price gains despite muted demand and ongoing geopolitical uncertainty. Demand in Central Europe remained weak, while Scandinavia benefited from improved weather conditions and stronger purchasing activity. In the United Kingdom ("UK"), subdued residential construction activity was partly offset by resilient repair and remodeling demand. In the Middle East and North Africa ("MENA"), geopolitical tensions initially disrupted market conditions; however, easing tensions later in the period supported improved shipments and pricing.

Lumber segment outlook.

Looking ahead, North American lumber markets are anticipated to remain solid in the early part of the third quarter of 2026, underpinned by lean inventories and ongoing transportation constraints, particularly in the US South. However, North American lumber markets are likely to moderate later in the third quarter of 2026, reflecting persistent affordability challenges and macroeconomic uncertainty.

Offshore lumber market conditions in Asia are projected to remain challenging. In Japan, continued substitution towards domestically sourced species is projected to pressure import lumber demand and pricing through the third quarter of 2026. In China, demand is forecast to remain subdued, amid ongoing weakness in construction activity and limited evidence of a near-term market recovery.

In Europe, lumber market fundamentals are anticipated to remain relatively balanced through the third quarter of 2026. Steady demand, constrained supply, and ongoing export activity are projected to support pricing. Market conditions in the UK are likely to remain stable, while demand and pricing in the MENA are dependent on geopoliticial tensions in the region.

Second quarter pulp and paper segment highlights.

For the pulp and paper segment, the operating loss was $23.1 million for the second quarter of 2026, compared to an operating loss of $16.2 million for the first quarter of 2026. After adjusting for a $3.3 million inventory write-down in the current period, the pulp and paper segment's adjusted operating loss for the second quarter of 2026 was $19.8 million, compared to an adjusted operating loss of $16.2 million for the first quarter of 2026. Results in the current period primarily reflect lower pulp shipments and a 17% decline in pulp production, largely attributable to a scheduled maintenance outage at the Company's Intercontinental NBSK pulp mill ("Intercon"), as well as a modest decline in US-dollar NBSK list prices to China.

Global softwood pulp market conditions remained challenging throughout the second quarter of 2026, as subdued demand and elevated producer inventories continued to weigh on pricing. Consequently, the US-dollar NBSK list prices to China, the world’s largest pulp consumer, averaged US$658 per tonne, down US$27 per tonne, or 4%, compared to the previous quarter.

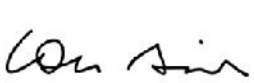
Global softwood pulp producer inventories remained elevated during the second quarter of 2026, ending May at 47 days of supply, one day higher than March 2026 and at the upper end of the balanced range. Typically, market conditions are considered balanced when inventories are in the 39-47 days of supply range.

Pulp and paper segment outlook.

Looking ahead, global softwood kraft pulp market conditions are anticipated to remain under pressure during the third quarter of 2026, largely reflecting a structural shift in pulp market fundamentals as additional global pulp capacity continues to enter the market. In addition, persistent economic and geopolitical uncertainty is projected to continue to weigh on near-term demand, contributing to elevated producer inventories and subdued softwood pulp pricing.

Demand for bleached kraft paper is projected to remain stable through the third quarter of 2026, globally and in North American markets. This outlook is supported by strengthening paper-based packaging demand, though ongoing uncertainty surrounding Canada-US trade relations and global manufacturing overcapacity remain notable offsetting factors.

No major maintenance outages are scheduled at the Company's pulp mills or paper machine through the balance of 2026.



The Honourable John R. Baird

Chairman



Susan L. Yurkovich

President and Chief Executive Officer

Canfor Corporation.

Second quarter 2026

Management's discussion and analysis.

This interim Management's Discussion and Analysis ("MD&A") provides a review of Canfor Corporation's ("Canfor" or "the Company") financial performance for the quarter ended June 30, 2026 relative to the quarters ended March 31, 2026 and June 30, 2025, and the financial position of the Company at June 30, 2026. It should be read in conjunction with Canfor's unaudited interim financial statements and accompanying notes for the quarters ended June 30, 2026 and 2025, as well as the 2025 annual MD&A and the 2025 audited consolidated financial statements and notes thereto, which are included in Canfor's Annual Report for the year ended December 31, 2025 (available at www.canfor.com). The financial information contained in this interim MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

Throughout this discussion, reference is made to Operating Income (Loss) before Amortization, Asset Write-Downs and Impairments, Adjusted Operating Income (Loss) before Amortization, Asset Write-Downs and Impairments and Adjusted Operating Income (Loss), which Canfor considers to be a relevant indicator for measuring trends in the performance of each of its operating segments and the Company's ability to generate funds to meet its debt repayment and capital expenditure requirements. Reference is also made to Adjusted Shareholder Net Income (Loss) (calculated as Shareholder Net Income (Loss) less specific items affecting comparability with prior periods – for the full calculation, see reconciliation included in the section "Selected Quarterly Financial information") and Adjusted Shareholder Net Income (Loss) per Share (calculated as Adjusted Shareholder Net Income (Loss) divided by the weighted average number of shares outstanding during the period). Operating Income (Loss) before Amortization, Asset Write-Downs and Impairments, Adjusted Operating Income (Loss) before Amortization, Asset Write-Downs and Impairments, Adjusted Operating Income (Loss), Adjusted Shareholder Net Income (Loss) and Adjusted Shareholder Net Income (Loss) per Share are not generally accepted earnings measures under IFRS and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, Canfor's Operating Income (Loss) before Amortization, Asset Write-Downs and Impairments, Adjusted Operating Income (Loss) before Amortization, Asset Write-Downs and Impairments, Adjusted Operating Income (Loss), Adjusted Shareholder Net Income (Loss), and Adjusted Shareholder Net Income (Loss) per Share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of Operating Income (Loss) before Amortization, Asset Write-Downs and Impairments, Adjusted Operating Income (Loss) before Amortization, Adjusted Operating Income (Loss) to Operating Income (Loss) and Adjusted Shareholder Net Income (Loss) to Net Income (Loss) reported in accordance with IFRS are included in the "Non-IFRS financial measures" section of this interim MD&A. Throughout this discussion, reference is made to the current quarter, which refers to the results for the second quarter of 2026.

Also in this interim MD&A, reference is made to net debt, net debt to total capitalization and return on invested capital ("ROIC") which the Company considers to be relevant performance indicators that are not generally accepted under IFRS. Therefore, these indicators, defined herein, may not be directly comparable with similarly titled measures used by other companies. Refer to the "Non-IFRS financial measures" section of this interim MD&A for further details.

Factors that could impact future operations are also discussed. These factors may be influenced by known and unknown risks and uncertainties that could cause the actual results to be materially different from those stated in this discussion. Factors that could have a material impact on any future oriented statements made herein include, but are not limited to: general economic, market and business conditions; product selling prices; raw material and other operating costs; currency exchange rates; interest rates; changes in law and public policy; the outcome of labour and trade disputes; and opportunities available to or pursued by Canfor.

All financial references are in millions of Canadian dollars unless otherwise noted. Certain comparative amounts have been reclassified to conform to current presentation. The information in this report is as at July 29, 2026.

Forward-looking statements.

Certain statements in this interim MD&A constitute "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.

Second quarter 2026.

Overview, including adjusting and one-time items[1].

(millions of Canadian dollars)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Reported operating income (loss)	**$ 4.8**	$ (72.5)	**$ (67.7)**	$ (251.4)	$ (279.9)
Asset write-downs and impairments - lumber segment[2]	**13.7**	–	**13.7**	188.6	188.6
Inventory write-down (recovery), net[3]	**(3.7)**	(20.0)	**(23.7)**	12.1	8.4
Adjusted operating income (loss)[1]	**$ 14.8**	$ (92.5)	**$ (77.7)**	$ (50.7)	$ (82.9)
One-time items - lumber segment[1]					
Restructuring and closure costs[4]	**8.8**	–	**8.8**	6.7	6.7
Adjusted operating income (loss) before one-time items[1]	**$ 23.6**	$ (92.5)	**$ (68.9)**	$ (44.0)	$ (76.2)
Amortization	**96.0**	101.0	**197.0**	102.4	203.5
Adjusted operating income before amortization and one-time items[1]	**$ 119.6**	$ 8.5	**$ 128.1**	$ 58.4	$ 127.3

[1]. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this interim MD&A are defined as non-IFRS financial measures. Refer to the "Non-IFRS financial measures" section for further details.

[2]. For the lumber segment, an asset write-down and impairment charge totaling $13.7 million was recognized in Q2 2026 (Q1 2026 — no asset write-down and impairment charges were recognized; Q2 2025 – $188.6 million asset write-down and impairment charge related to the permanent closures of Darlington and Estill sawmills).

[3]. For the lumber segment, a $7.0 million net reversal of a previously recognized inventory write-down was recorded in Q2 2026 (Q1 2026 – $20.0 million net reversal of a previously recognized inventory write-down, Q2 2025 – $9.2 million net inventory write-down expense). For the pulp and paper segment, a $3.3 million net inventory write-down expense was recognized in Q2 2026 (Q1 2026 – no inventory valuation adjustment was recognized, Q2 2025 – $2.9 million net inventory write-down expense).

[4]. Restructuring and closure costs of $8.8 million were recognized in Q2 2026, primarily related to the permanent closures of the Urshult and Orrefors sawmills in Europe (Q1 2026 – no restructuring and closure costs were recognized, Q2 2025 – restructuring and closure costs of $6.7 million in the lumber segment, related to the permanent closures of Darlington and Estill sawmills).

Analysis of specific items affecting comparability of shareholder net loss.

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except per share amounts)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Shareholder net loss, as reported	**$ (18.5)**	$ (72.1)	**$ (90.6)**	$ (202.8)	$ (233.8)
Foreign exchange (gain) loss on term debt	**(7.9)**	(3.4)	**(11.3)**	7.3	8.5
Foreign exchange (gain) loss on duty deposits loan	**7.3**	4.7	**12.0**	(14.7)	(17.2)
(Gain) loss on derivative financial instruments	**2.6**	2.2	**4.8**	(0.7)	(6.5)
Asset write-downs and impairments, net of tax	**10.9**	–	**10.9**	143.9	143.9
Net impact of above items	**$ 12.9**	$ 3.5	**$ 16.4**	$ 135.8	$ 128.7
Adjusted shareholder net loss[5]	**$ (5.6)**	$ (68.6)	**$ (74.2)**	$ (67.0)	$ (105.1)
Shareholder net loss per share (EPS), as reported	**$ (0.16)**	$ (0.62)	**$ (0.77)**	$ (1.71)	$ (1.97)
Net impact of above items per share	**0.11**	0.03	**0.14**	1.15	1.09
Adjusted shareholder net loss per share[5]	**$ (0.05)**	$ (0.59)	**$ (0.63)**	$ (0.56)	$ (0.88)

[5]. Adjusted shareholder net loss is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

Selected financial information and statistics.

(millions of Canadian dollars)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Operating income (loss) by segment:					
Lumber	**$ 41.2**	$ (43.7)	**$ (2.5)**	$ (229.2)	$ (254.7)
Pulp and paper	**(23.1)**	(16.2)	**(39.3)**	(5.3)	5.5
Unallocated and other	**(13.3)**	(12.6)	**(25.9)**	(16.9)	(30.7)
Total operating income (loss)	**$ 4.8**	$ (72.5)	**$ (67.7)**	$ (251.4)	$ (279.9)
Add: Amortization[6]	**96.0**	101.0	**197.0**	102.4	203.5
Add: Asset write-downs and impairments	**13.7**	–	**13.7**	188.6	188.6
Total operating income before amortization, asset write-downs and impairments	**$ 114.5**	$ 28.5	**$ 143.0**	$ 39.6	$ 112.2
Add (deduct):					
Non-cash working capital movements, net	**128.0**	(112.1)	**15.9**	44.1	(117.3)
Defined benefit plan contributions, net	**(2.4)**	(2.2)	**(4.6)**	(2.9)	(5.4)
Income taxes received (paid), net	**(7.4)**	7.5	**0.1**	(14.7)	(21.6)
Duties paid greater than accruals[7]	**(24.2)**	(20.2)	**(44.4)**	(0.4)	(1.0)
Other operating cash flows, net[8]	**1.4**	21.4	**22.8**	(1.9)	26.3
Cash from (used in) operating activities	**$ 209.9**	$ (77.1)	**$ 132.8**	$ 63.8	$ (6.8)
Add (deduct):					
Capital additions, net	**(46.0)**	(65.9)	**(111.9)**	(50.9)	(173.0)
Proceeds from sale of property, plant and equipment	**22.0**	0.3	**22.3**	0.7	2.5
Changes in term debt, net	**(4.3)**	(4.2)	**(8.5)**	–	(0.1)
Finance expenses paid	**(18.5)**	(10.6)	**(29.1)**	(8.8)	(15.8)
Sale (purchase) of long-term investments, net	**52.7**	(30.7)	**22.0**	16.9	15.7
Payment of lease obligations	**(10.3)**	(9.5)	**(19.8)**	(9.9)	(19.9)
Cash consideration for the acquisition of Canfor Pulp NCI	**–**	(4.0)	**(4.0)**	–	–
Other, net[8]	**6.7**	(4.0)	**2.7**	(11.7)	(1.4)
Change in cash / operating loans	**$ 212.2**	$ (205.7)	**$ 6.5**	$ 0.1	$ (198.8)
ROIC – Consolidated period-to-date[9]	**0.2%**	(1.7)%	**(1.5)%**	(6.1)%	(6.8)%
Average exchange rate (US$ per C$1.00)[10]	**$ 0.723**	$ 0.729	**$ 0.726**	$ 0.723	$ 0.709
Average exchange rate (SEK per C$1.00)[10]	**6.761**	6.658	**6.709**	6.980	7.196

[6]. Amortization includes amortization of certain capitalized major maintenance costs.

[7]. Adjusted to true-up preliminary anti-dumping duty ("ADD") deposits to the Company's current accrual rates.

[8]. Further information on cash flows may be found in the Company's unaudited condensed consolidated interim financial statements.

[9]. Consolidated ROIC is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

[10]. Source – Bank of Canada (monthly average rate for the period).

For the second quarter of 2026, the Company reported an operating income of $4.8 million, compared to an operating loss of $72.5 million for the first quarter of 2026. After taking into consideration adjusting and one-time items totaling $18.8 million, consisting of inventory valuation adjustments, an asset write-down and impairment charge, as well as restructuring and closure costs, the Company's adjusted operating income for the second quarter of 2026 was $23.6 million, compared to an adjusted operating loss of $92.5 million for the previous quarter. These results primarily reflected improved results in the lumber segment, partially offset by lower earnings in the pulp and paper segment.

For the lumber segment, operating income was $41.2 million for the second quarter of 2026, compared to the previous quarter's operating loss of $43.7 million. After taking into consideration adjusting and one-time items totaling $15.5 million, the lumber segment's adjusted operating income was $56.7 million, compared to a similarly adjusted operating loss of $63.7 million in the prior quarter. These adjusted earnings reflect solid results across all of the Company's operating regions, primarily driven by an uptick in lumber unit sales realizations, largely associated with higher benchmark prices, and, to a lesser extent, an increase in lumber production as well as an improvement in lumber unit manufacturing and product costs.

In May 2026, the Company announced that it would permanently close its Urshult and Orrefors sawmills in Sweden. The closures reflect an ongoing imbalance between production capacity and fibre supply in southern Sweden. As a result of this announcement, the Company recognized an asset write-down and impairment charge of $13.7 million and restructuring costs of $8.8 million in the second quarter of 2026.

For the pulp and paper segment, the operating loss was $23.1 million for the second quarter of 2026, compared to an operating loss of $16.2 million for the first quarter of 2026. After adjusting for a $3.3 million inventory write-down in the current period, the pulp and paper segment's adjusted operating loss for the second quarter of 2026 was $19.8 million, compared to an adjusted operating loss of $16.2 million for the first quarter of 2026. Results in the current period primarily reflect lower pulp shipments and a 17% decline in pulp production, largely attributable to a scheduled maintenance outage at the Company's Intercontinental Northern Bleached Softwood Kraft ("NBSK") pulp mill ("Intercon"), as well as a modest decline in US-dollar NBSK list prices to China.

Compared to the second quarter of 2025, adjusted operating results were up $67.6 million from an adjusted operating loss of $44.0 million in the comparative period, primarily consisting of a $81.4 million increase in lumber segment results, offset in part by a $17.4 million decline in pulp and paper segment results.

After accounting for adjusting and one-time items, the lumber segment's adjusted operating income in the second quarter of 2026 was $56.7 million, compared to a similarly adjusted operating loss of $24.7 million in the second quarter of 2025. The year-over-year improvement was driven primarily by stronger earnings from the Company's North American operations. In North America, higher Western Spruce/Pine/Fir ("Western SPF") and Southern Yellow Pine ("SYP") benchmark lumber prices, combined with lower unit manufacturing and product costs, more than offset the impact of reduced shipment volumes. In Europe, results were lower than the comparative period as weaker lumber market pricing and higher per-unit conversion costs more than offset the benefits of increased production and shipment volumes, as well as a 3% weaker Canadian dollar relative to the Swedish Krona ("SEK").

The operating results for the pulp and paper segment declined by $17.4 million compared to the second quarter of 2025, primarily driven by a significant decrease in US-dollar NBSK pulp list prices to both China and North America, coupled with a 17% decrease in pulp production in the current period.

An overview of the results by business segment for the second quarter of 2026 compared to the first quarter of 2026 and the second quarter of 2025 follows.

Operating results by business segment.

Lumber.

Selected financial information and statistics – lumber.

(millions of Canadian dollars, unless otherwise noted)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Sales[12]	**$ 1,382.3**	$ 1,192.8	**$ 2,575.1**	$ 1,201.5	$ 2,422.8
Reported operating income (loss)[12]	**$ 41.2**	$ (43.7)	**$ (2.5)**	$ (229.2)	$ (254.7)
Adjusting and one-time items[11]	**15.5**	(20.0)	**(4.5)**	204.5	200.8
Adjusted operating income (loss) before one-time items[11]	**$ 56.7**	$ (63.7)	**$ (7.0)**	$ (24.7)	$ (53.9)
Amortization	**88.0**	92.3	**180.3**	93.0	$ 182.9
Adjusted operating income before amortization and one-time items[11, 12]	**$ 144.7**	$ 28.6	**$ 173.3**	$ 68.3	$ 129.0
Average Western SPF 2x4 #2&Btr lumber price in US$[13]	**$ 488**	$ 463	**$ 476**	$ 471	$ 482
Average Western SPF 2x4 #2&Btr lumber price in Cdn$[13, 15]	**$ 675**	$ 635	**$ 656**	$ 651	$ 680
Average SYP 2x4 #2 lumber price in US$[14]	**$ 517**	$ 495	**$ 506**	$ 481	$ 465
Average SYP 2x4 #2 lumber price in Cdn$[14, 15]	**$ 715**	$ 679	**$ 697**	$ 665	$ 656
Average SYP 2x6 #2 lumber price in US$[14]	**$ 457**	$ 425	**$ 441**	$ 325	$ 365
Average SYP 2x6 #2 lumber price in Cdn$[14, 15]	**$ 632**	$ 583	**$ 607**	$ 450	$ 515
US housing starts (thousand units SAAR)[16]	**1,347**	1,418	**1,382**	1,356	1,376
Production – Western SPF lumber (MMfbm)[17]	**380**	371	**751**	382	749
Production – SYP lumber (MMfbm)[17]	**492**	473	**965**	511	974
Production – European lumber (MMfbm)[12, 17]	**415**	368	**783**	375	744
Shipments – Western SPF lumber (MMfbm)[18]	**388**	352	**740**	448	846
Shipments – SYP lumber (MMfbm)[18]	**446**	444	**890**	512	955
Shipments – European lumber (MMfbm)[18]	**518**	461	**979**	427	852

[11]. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this interim MD&A are non-IFRS financial measures. Refer to the "Non-IFRS financial measures" section for further details.

[12]. Q2 2026 includes sales of $591.7 million, operating loss of $0.7 million, and operating income before amortization of $21.4 million from European operations (Q1 2026 – sales of $513.0 million, operating loss of $35.1 million, and operating loss before amortization of $12.4 million; Q2 2025 – sales of $440.5 million, operating income of $19.7 million, and operating income before amortization of $40.3 million). Sawmill production from European operations was 486 MMfbm in Q2 2026 (Q1 2026 – 457 MMfbm; Q2 2025 – 436 MMfbm).

[13]. Western SPF, per thousand board feet (Source – Random Lengths Publications, Inc.).

[14]. SYP, Eastside, per thousand board feet (Source – Random Lengths Publications, Inc.).

[15]. Average lumber prices in Canadian dollar ("Cdn") calculated as average price in US$ multiplied by the average exchange rate – Cdn$ per US$1.00 according to Bank of Canada monthly average for the period.

[16]. Source – US Census Bureau, seasonally adjusted annual rate ("SAAR").

[17]. Planer production, excluding production of trim blocks.

[18]. 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.

Markets.

North American lumber markets modestly strengthened through most of the second quarter of 2026. Despite persistent affordability challenges, elevated mortgage rates, and geopolitical uncertainty, tighter supply and seasonal demand contributed to improved market fundamentals in the current quarter. A modest uptick in North American benchmark lumber prices during the period was driven primarily by lean field inventories, constrained transportation capacity, and increased species substitution, which particularly benefited SYP pricing. Meanwhile, the repair and remodeling sector remained relatively resilient throughout the current quarter.

US housing starts averaged 1,347,000 units on a seasonally adjusted basis for the current quarter, down 5% from the previous quarter, reflecting a 5% decline in both single-family and multi-family starts. In Canada, housing starts averaged 255,000 units on a seasonally adjusted basis in the second quarter of 2026, up 5% from the previous quarter, supported by a moderate increase in the construction of multi-family units, partially offset by a decline in single-family starts.

Offshore lumber market conditions remained under pressure throughout the second quarter of 2026. In Japan, weak housing starts, reduced import volumes into the region and a structural shift towards a greater use of domestic fibre, continued to weigh on lumber demand. Shortages of petroleum-based building materials further delayed construction activity during the period. In China, construction activity remained subdued, resulting in continued weak lumber demand.

Following weak market fundamentals in the first quarter, European lumber markets experienced some positive momentum through the second quarter of 2026. Leaner inventory levels supported modest price gains despite muted demand and ongoing geopolitical uncertainty. Demand in Central Europe remained weak, while Scandinavia benefited from improved weather conditions and stronger purchasing activity. In the United Kingdom ("UK"), subdued residential construction activity was partly offset by resilient repair and remodeling demand. In the Middle East and North Africa ("MENA"), geopolitical tensions initially disrupted market conditions; however, easing tensions later in the period supported improved shipments and pricing.

Sales.

Sales revenues for the lumber segment in the second quarter of 2026 were $1,382.3 million, an increase of $189.5 million compared to the previous quarter. The 16% rise in lumber sales revenue primarily reflected improved lumber unit sales realizations across all of the Company's operating regions, combined with significantly higher shipment volumes in Western Canada and Europe and, to a lesser extent, a 1% weaker Canadian dollar (versus the US-dollar).

Compared to the second quarter of 2025, sales revenues increased $180.8 million, or 15%, principally driven by a significant uplift in SYP lumber unit sales realizations, coupled with a 21% increase in shipment volumes in Europe and a 3% weaker Canadian dollar (versus the SEK). These positive factors were moderated, to a degree, by lower Western SPF and European lumber unit sales realizations, combined with a 13% reduction in shipment volumes from the Company's North American operations.

Total lumber shipments, at 1.35 billion board feet, were up 8% from the previous quarter, largely reflecting a 12% increase in European lumber shipments and a 10% uplift in Western SPF shipments, both principally tied to higher production in the current period. SYP shipment volumes were broadly comparable quarter-over-quarter, as the benefit of increased production was mostly offset by ongoing trucking constraints in the region.

Compared to the second quarter of 2025, total lumber shipments declined by 3%, as a 13% reduction in Western SPF and SYP shipment volumes more than offset a 21% increase in European lumber shipments. The decline in Western SPF shipments was largely tied to a drawdown of inventory in the comparative period and, to a lesser extent, lower production volume in the current quarter. In the US South, the decrease in SYP lumber shipments primarily reflected the impact of the Darlington and Estill sawmill closures in the prior year. The increase in European lumber shipments was mainly attributable to the AB Karl Hedin Sågverk facilities ("Hedin"), acquired in the latter part of 2025.

The North American Random Lengths Western SPF 2x4 #2&Btr price began the quarter at US$492 per Mfbm, remained relatively stable through April, before declining to a low of US$478 per Mfbm by mid-May. The benchmark price recovered slightly from late May through the remainder of the second quarter, ending the period at a high of US$500 per Mfbm. For the current quarter overall, the Western SPF 2x4 #2&Btr benchmark price averaged US$488 per Mfbm, up US$25 per Mfbm, or 5%, from the previous quarter. The Company’s Western SPF lumber unit sales realizations benefited from this higher benchmark price, coupled with pricing improvements for wider-width dimension products and, to a lesser extent, a 1% weaker Canadian dollar (versus the US-dollar). These factors were slightly offset by unfavourable offshore unit sales realizations, most notably in Japan.

The North American SYP East 2x4 #2 price opened the quarter at US$595 per Mfbm, declined through early May to a low of US$470 per Mfbm, before recovering modestly in the latter part of the quarter to close the period at US$536 per Mfbm. Overall, the SYP East 2x4 #2 price averaged US$517 per Mfbm in the second quarter of 2026, an increase of US$22 per Mfbm, or 4%, from the previous quarter. The SYP East 2x6 #2 price experienced a similar trend, averaging US$457 per Mfbm, up US$32 per Mfbm, or 8%, from the previous quarter. The Company’s SYP lumber unit sales realizations increased significantly quarter-over-quarter, primarily driven by the rise in SYP lumber benchmark prices, coupled with more pronounced pricing increases in wider-width products.

The Company’s European lumber unit sales realizations were moderately higher than in the previous quarter, principally reflecting improved lumber market pricing in the region, partially offset by the impact of a 2% stronger Canadian dollar (versus the SEK).

Compared to the second quarter of 2025, the average North American Random Lengths Western SPF 2x4 #2&Btr price increased by US$17 per Mfbm, or 4%. The Company’s Western SPF lumber unit sales realizations were moderately higher than in the comparative period, principally reflecting the modest uptick in benchmark price as well as more pronounced pricing increases for certain wider-width products, offset in part by unfavourable offshore unit sales realizations. In the US South, a significant increase in SYP lumber unit sales realizations was primarily attributable to a US$132 per Mfbm, or 41%, increase in the SYP East 2x6 #2 average price, combined with a US$36 per Mfbm, or 7%, uplift in the average North American SYP East 2x4 #2 price and more pronounced pricing gains for wider-width SYP products. The Company’s European lumber unit sales realizations were slightly lower than in the second quarter of 2025, as moderate declines in regional market pricing were mitigated in part by a 3% weaker Canadian dollar (versus the SEK).

Other revenues for the Company's lumber segment (which are primarily comprised of residual fibre, pulp log and pellet sales, as well as the Company's European operations' other related revenues) were slightly higher than the previous quarter, largely driven by increased packaging and modular building revenues in the Company's European operations. These drivers were moderated, to a degree, by lower log sales in Western Canada and reduced residual fibre revenues in the Company's European operations combined with the impact of a 2% stronger Canadian dollar (versus the SEK).

Compared to the second quarter of 2025, other revenues increased moderately, primarily attributable to the Company's European operations and a 3% weaker Canadian dollar (versus the SEK), offset in part by a decline in engineered wood and residual fibre revenues in the US South.

Operations.

Total lumber production, at 1.29 billion board feet, was up 6% from the prior quarter, principally reflecting an increase in production across all of the Company's operating regions. A 13% uplift at the Company's European operations was primarily driven by the increased operating hours, following the impact of winter weather conditions that had constrained production in the previous quarter. In North America, the 3% increase in production was mainly attributable to improved planer productivity in the current period, partly offset by the impact of limited availability of rough inventory at certain mills.

Compared to the second quarter of 2025, total lumber production increased by 1%, as an 11% uplift in production in the Company's European operations was largely offset by lower production in its US South operations. The former was primarily attributable to the incremental production from the Hedin acquisition in the latter part of 2025. In the US South, the 4% decline in production principally reflected the impact of the Darlington and Estill sawmill closures in the prior year, mitigated in part by the ongoing operational benefits from investments at the Iron Mountain and Urbana sawmills, as well as the greenfield sawmill in Axis, Alabama. In Western Canada, production was broadly comparable quarter-over-quarter.

Lumber unit manufacturing and product costs were slightly lower than in the previous quarter, reflecting reductions in both per-unit conversion costs and log costs. The slight decline in per-unit conversion costs was most notable at the Company's North American operations, largely associated with the benefit of increased production volumes, offset in part by higher energy costs and maintenance spend in the current quarter. Log costs experienced a slight drop quarter-over-quarter, mainly as a result of modest declines in log prices in Europe, slightly offset by higher market-driven log costs in North America and, to a lesser extent, the impact of a 1% weaker Canadian dollar (versus the US-dollar).

Compared to the second quarter of 2025, lumber unit manufacturing and product costs decreased slightly, primarily due to lower log costs across all of the Company's operating regions. Per-unit conversion costs were broadly comparable over the same time period, as savings from reduced spend at the Company's North American operations were mostly offset by moderately higher spend in Europe.

Pulp and paper.

Selected financial information and statistics – pulp and paper.

(millions of Canadian dollars, unless otherwise noted)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Sales	**$ 144.1**	$ 166.3	**$ 310.4**	$ 177.9	$ 374.1
Reported operating income (loss)	**$ (23.1)**	$ (16.2)	**$ (39.3)**	$ (5.3)	$ 5.5
Adjusting and one-time items[19]	**3.3**	–	**3.3**	2.9	2.9
Adjusted operating income (loss) before one-time items[19]	**$ (19.8)**	$ (16.2)	**$ (36.0)**	$ (2.4)	$ 8.4
Amortization[20]	**7.6**	7.9	**15.5**	8.8	$ 19.3
Adjusted operating income (loss) before amortization and one-time items[19, 20]	**$ (12.2)**	$ (8.3)	**$ (20.5)**	$ 6.4	$ 27.7
Average NBSK pulp list price delivered to China – US$[21]	**$ 658**	$ 685	**$ 672**	$ 734	$ 764
Average NBSK pulp list price delivered to China – Cdn$[21]	**$ 910**	$ 940	**$ 926**	$ 1,015	$ 1,078
Production – pulp (000 mt)	**85**	103	**188**	102	206
Production – paper (000 mt)	**29**	28	**57**	35	69
Shipments – pulp (000 mt)	**96**	117	**213**	102	214
Shipments – paper (000 mt)	**30**	30	**60**	35	68

[19]. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this interim MD&A are non-IFRS financial measures. Refer to the "Non-IFRS financial measures" section for further details.

[20]. Amortization includes amortization of certain capitalized major maintenance costs.

[21]. Per tonne, NBSK pulp list net price delivered to China (as published by Resource Information Systems, Inc. ("RISI")); Average NBSK pulp list net price delivered to China in Cdn$ calculated as average NBSK pulp list net price delivered to China – US$ multiplied by the average exchange rate – Cdn$ per US$1.00 according to Bank of Canada monthly average rate for the period.

Markets.

Global softwood pulp market conditions remained challenging throughout the second quarter of 2026, as subdued demand and elevated producer inventories continued to weigh on pricing. Consequently, the US-dollar NBSK list prices to China, the world's largest pulp consumer, averaged US$658 per tonne, down US$27 per tonne, or 4%, compared to the previous quarter. Compared to the same period in the prior year, pulp list prices to China were down US$76 per tonne, or 10%.

In North America, following modest pricing momentum late in the first quarter, market conditions stabilized at subdued levels during the second quarter. Average US-dollar NBSK pulp list prices to North America were US$1,577 per tonne (before discounts) for the current quarter, broadly in line with the prior quarter, but down US$243 per tonne, or 13%, compared to the same period in the previous year.

Global softwood pulp producer inventories remained elevated during the second quarter of 2026, ending May at 47 days of supply, one day higher than March 2026 and at the upper end of the balanced range[22]. Typically, market conditions are considered balanced when inventories are in the 39-47 days of supply range[22].

In contrast, global kraft paper demand continued to improve in the second quarter of 2026, building on the momentum that emerged earlier in the year. In North America, demand benefited from growth in paper-based packaging applications, supported by higher plastic raw material costs, the ongoing substitution of plastic-based products, and stronger food packaging demand. Geopolitical uncertainty also contributed to increased customer restocking activity during the quarter.

Sales.

Pulp shipments for the second quarter of 2026 totaled 96,000 tonnes, down 21,000 tonnes, or 18%, from the previous quarter, and down 6,000 tonnes, or 6%, compared to the second quarter of 2025. The decrease in the current quarter was primarily driven by a 17% decline in pulp production quarter-over-quarter, largely as a result of the scheduled maintenance outage at Intercon. The decline relative to the same quarter in the prior year was principally driven by reduced pulp production in the current quarter, offset to a degree by a drawdown in inventory levels.

[22]. World 20 data is based on twenty producing countries representing 80% of world chemical market pulp capacity and is based on information compiled and prepared by the Pulp and Paper Products Council ("PPPC"). The upper and lower limits of the balanced range are the average level plus or minus one standard deviation, based on the last 60 data points (i.e. last five years).

The Company's average NBSK pulp unit sales realizations in the current quarter experienced a slight decline relative to the previous quarter, principally tied to the weakening of global US-dollar NBSK pulp list prices to China quarter-over-quarter, offset in part by a 1 cent, or 1%, weaker Canadian dollar.

Compared to the second quarter of 2025, the Company's average NBSK pulp unit sales realizations saw a significant decline, primarily reflecting the aforementioned 10% and 13% drop in US-dollar NBSK pulp list prices to China and North America, respectively.

Total paper shipments in the second quarter of 2026 were 30,000 tonnes, broadly in line with the previous quarter, and down 5,000 tonnes from the second quarter of 2025. The decline from the same quarter in the prior year was principally tied to reduced production in the current quarter, combined with the timing of shipments around quarter-end.

Paper unit sales realizations in the second quarter of 2026 were slightly higher than the previous quarter, and broadly in line with the second quarter of 2025. The former principally reflected a favourable shift in product mix, combined with the weaker Canadian dollar in the current period.

Operations.

Pulp production totaled 85,000 tonnes for the second quarter of 2026, down 18,000 tonnes, or 17%, compared to the previous quarter, and down 17,000 tonnes, or 17%, relative to the second quarter of 2025. These results primarily reflect a decline in production associated with a planned maintenance outage at the Company's Intercon in the current quarter.

Pulp unit manufacturing costs increased moderately compared to the prior quarter, largely driven by an increase in per-unit conversion costs, offset in part by slightly lower fibre costs, primarily due to a reduction in the proportion of higher-cost whole log chips. The notable increase in per-unit conversion costs compared to the prior period was principally attributable to lower production combined with higher maintenance spend (timing-related), offset in part by lower energy costs.

Compared to the second quarter of 2025, pulp unit manufacturing costs were slightly higher, as the impact on significantly higher per-unit conversion costs was substantially offset by notably reduced fibre costs. Lower fibre costs were primarily driven by a decrease in the proportion of higher-cost whole log chips, combined with a decline in pricing for sawmill residual chips.

Paper production for the second quarter of 2026 was 29,000 tonnes, broadly in line with the previous quarter, and down 6,000 tonnes compared to the second quarter of 2025. The latter was principally tied to a scheduled maintenance outage at the paper machine in the current period.

Paper unit manufacturing costs were largely comparable with the first quarter of 2026, and significantly lower than the second quarter of 2025, primarily reflecting notably lower slush pulp costs (correlated with the decrease in Canadian dollar NBSK pulp unit sales realizations), offset in part, by higher per-unit conversion costs period-over-period.

Unallocated items.

Selected financial information.

(millions of Canadian dollars)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Corporate costs	**$ (13.3)**	$ (12.6)	**$ (25.9)**	$ (16.9)	$ (30.7)
Finance expense, net	**$ (31.2)**	$ (25.3)	**$ (56.5)**	$ (22.0)	$ (41.9)
Foreign exchange gain (loss) on term debt, duty deposits loan and duty deposits recoverable, net	**$ 1.9**	$ (0.8)	**$ 1.1**	$ 3.2	$ 3.8
Gain (loss) on derivative financial instruments	**$ (4.1)**	$ (3.2)	**$ (7.3)**	$ 0.7	$ 10.5
Other income (expense), net	**$ 7.4**	$ 1.3	**$ 8.7**	$ (1.7)	$ (1.9)

Corporate costs were $13.3 million for the second quarter of 2026, up $0.7 million from the previous quarter, primarily reflecting higher head office and general administrative expenses, as well as an increase in legal costs principally associated with the softwood lumber dispute. Compared to the same quarter in the prior year, corporate costs were down $3.6 million, largely attributable to a focused reduction in head office and general administrative expenses, combined with a decline in legal costs related to the softwood lumber dispute.

Net finance expense of $31.2 million for the second quarter of 2026 was up $5.9 million from the previous quarter, largely due to an increase in interest expense associated with the Company's operating loan facilities combined with a decline in accrued interest income on net duty deposits recoverable. Net finance expense totaled $22.0 million in the second quarter of 2025, which primarily consisted of interest expense on duty deposit loan and, to a lesser extent, interest expense related to operating loans and term debt facilities.

In the second quarter of 2026, the Company reported a net foreign exchange gain of $1.9 million. This included a $7.9 million gain related to its US-dollar term debt, attributable to the weakening of the Canadian dollar at the close of the current quarter compared to the end of March 2026. This gain was substantially offset by a $6.0 million loss on its US-dollar denominated duty deposits loan and net duty deposits recoverable (refer to "Liquidity and financial requirements" section for additional information).

At times, the Company uses a variety of derivative financial instruments as partial economic hedges against unfavourable changes in lumber prices, energy costs, interest and foreign exchange rates. In the second quarter of 2026, the Company recorded a net loss of $4.1 million related to its derivative instruments, primarily due to realized and unrealized mark-to-market losses on SEK foreign exchange forward contracts.

Other comprehensive income (loss).

The following table summarizes Canfor's other comprehensive income (loss) for the comparable periods:

(millions of Canadian dollars)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Defined benefit plan actuarial gain (loss), net of tax	**$ 6.1**	$ (7.0)	**$ (0.9)**	$ 7.3	$ 5.1
Foreign exchange translation of foreign operations, net of tax	**24.1**	10.2	**34.3**	(73.9)	(16.6)
Other comprehensive income (loss), net of tax	**$ 30.2**	$ 3.2	**$ 33.4**	$ (66.6)	$ (11.5)

In the second quarter of 2026, the Company recorded a gain of $8.3 million (before tax) in relation to the Company's net defined benefit obligations (comprised of defined benefit pension plans as well as other benefit plans), principally reflecting a higher than anticipated return on plan assets.

This compared to a loss of $9.5 million (before tax) recognized in the first quarter of 2026 related to the Company's net defined benefit obligations (comprised of defined benefit pension plans as well as other benefit plans), largely attributable to lower than anticipated return on plan assets, combined with a loss due to change in membership experience.

The Company recorded a gain of $10.0 million (before tax) in the second quarter of 2025, associated with changes in the valuation of the Company's net defined benefit obligations (comprised of defined benefit pension plans as well as other benefit plans), primarily driven by a 0.4% increase in the discount rate used to value the net defined benefit obligations, partially offset by a lower than anticipated return on plan assets.

In addition, the Company recorded an accounting gain of $24.1 million in the second quarter of 2026 related to foreign exchange differences for foreign operations principally due to the weakening of the Canadian dollar relative to the US-dollar at the close of the current quarter. This compared to a gain of $10.2 million in the first quarter of 2026 and a loss of $73.9 million in the second quarter of 2025.

Summary of financial position.

The following table summarizes Canfor's cash flow and selected ratios and other key financial items for and as at the end of the following periods:

(millions of Canadian dollars, except ratios)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Increase (decrease) in cash and cash equivalents[23]	**$ 174.5**	$ (71.4)	**$ 103.1**	$ (17.3)	$ (159.6)
Operating activities	**$ 209.9**	$ (77.1)	**$ 132.8**	$ 63.8	$ (6.8)
Financing activities	**$ (72.8)**	$ 105.6	**$ 32.8**	$ (47.9)	$ (2.2)
Investing activities	**$ 37.4**	$ (99.9)	**$ (62.5)**	$ (33.2)	$ (150.6)
Ratio of current assets to current liabilities	**1.3 :1**	1.3 :1	**1.3 :1**	1.7 :1	1.7 :1
Net debt to total capitalization[24]	**19.9%**	24.8%	**19.9%**	12.6%	12.6%
Cumulative duty deposits paid (excluding Section 232 tariffs)	**$ 1,199.2**	$ 1,150.9	**$ 1,199.2**	$ 1,039.3	$ 1,039.3

[23]. Increase (decrease) in cash and cash equivalents shown before foreign exchange translation on cash and cash equivalents.

[24]. Net debt to total capitalization is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

Operating activities.

Cash generated from operating activities was $209.9 million in the second quarter of 2026, compared to cash used of $77.1 million in the previous quarter and cash generated of $63.8 million in the second quarter of 2025. The $287.0 million increase from the prior quarter was mostly attributable to favourable changes in non-cash working capital balances and higher cash earnings in the current period. The former was principally driven by a seasonal drawdown of log inventories and, to a lesser extent, a timing-related decrease in certain accounts receivable balances at the end of the current quarter. Compared to the second quarter of 2025, operating cash flows were up $146.1 million, principally supported by increased cash earnings combined with favourable movements in non-cash working capital balances quarter-over-quarter.

Financing activities.

Cash used for financing activities in the second quarter of 2026 was $72.8 million, compared to cash generated of $105.6 million in the previous quarter and cash used of $47.9 million in the second quarter of 2025. Financing activities in the current quarter largely consisted of $40.2 million repayment of the Company's operating loan facilities as well as lease and interest payments (refer to the "Liquidity and Financial Requirements" section for further details). In the first quarter of 2026, financing activities primarily included a net of $130.7 million drawn-down on the Company's operating loan facilities, partially offset by interest and lease payments. In the second quarter of 2025, financing activities were principally comprised of share repurchases, lease and interest payments.

Investing activities.

Cash generated from investing activities was $37.4 million for the current quarter, compared to cash used of $99.9 million for the previous quarter and cash used of $33.2 million for the same quarter of 2025. Investing activities in the current quarter were mainly comprised of $52.7 million net proceeds from the sale of certain long-term investments, as well as $22.0 million in proceeds received from the disposition of capital assets, primarily Plateau and Fort St. John sawmills and pellet plant. These drivers were partially offset by capital expenditures of $46.0 million.

As mentioned, capital additions in the second quarter of 2026 were $46.0 million, down $19.9 million from the previous quarter and down $4.9 million compared to the second quarter of 2025. In the lumber segment, current quarter capital expenditures were mainly comprised of ongoing capital investment at the Company’s Iron Mountain sawmill in Arkansas, and, to a lesser extent, its Axis sawmill in Alabama. Capital spend in the current period also included maintenance-of-business capital across all three lumber operating regions. In the pulp and paper segment, capital expenditures were predominantly associated with maintenance-of-business capital spend, including the scheduled maintenance at Intercon.

Liquidity and financial requirements.

Operating loans.

Operating loans – Consolidated.

At June 30, 2026, on a consolidated basis, including Vida, the Company had cash and cash equivalents of $234.7 million, with $403.2 million drawn on its operating loans and facilities, and an additional $59.8 million reserved for several standby letters of credit. At the end of the quarter, the Company had available and undrawn operating loan facilities of $947.6 million.

Operating loans – Canfor, excluding Vida.

At June 30, 2026, Canfor, excluding Vida, had available operating loan facilities (including a revolving credit facility) totaling $1,294.3 million, with $367.0 million drawn on its operating loan and revolving credit facilities, and an additional $59.8 million reserved for several standby letters of credit, the majority of which related to unregistered pension plans, leaving $867.5 million available and undrawn at the end of the quarter.

Interest is payable on Canfor’s committed operating and revolving loan facilities (excluding Vida) at floating rates based on the lenders’ Canadian prime rate, bankers’ acceptances, US-dollar base rate or US-dollar floating rate, plus a margin that varies with Canfor’s debt to total capitalization ratios.

In the first quarter of 2026, Canfor executed amendments to certain terms of its credit facilities. These amendments included cancelling Canfor Pulp's standalone operating loan facility and including Canfor Pulp under Canfor’s operating loan facility. Canfor’s operating loan facility was increased from approximately $925.0 million to approximately $1.0 billion, and the maturity date of the operating loan facility was extended from June 26, 2029, to March 26, 2030. In addition, the maturity date of the Company's revolving credit facility was

extended from June 28, 2026 to June 28, 2027. On June 28, 2027, any amounts drawn on the committed revolving credit facility will be converted to US-dollar denominated floating rate term debt, with a maturity date of June 28, 2030.

Canfor's operating and revolving loan facilities may be drawn based on certain financial covenants, including a maximum net debt to total capitalization ratio of 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%. As at June 30, 2026, net debt to total capitalization was below the 42.5% threshold; therefore, Canfor was not subject to this test.

Operating loans – Vida.

At June 30, 2026, Vida had $36.2 million drawn on its $116.3 million operating loan facilities, leaving $80.1 million available and undrawn at the end of the quarter.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 3.2% to 6.6%. Vida also has separate overdraft facilities with fixed interest rates ranging from 2.7% to 7.8%.

In the first quarter of 2026, Vida entered into a commitment with its lenders to replace its existing operating loan facilities. The terms of the new operating loan facilities include a SEK 435.0 million (CAD $64.1 million) committed revolving overdraft facility as well as an additional uncommitted facility of SEK 400.0 million (CAD $59.0 million). This facility is subject to an annual renewal and has a one-year term.

Term debt.

Canfor's term debt (excluding Vida) is unsecured. Vida's SEK term debt is secured by the shares of Hedin and matures on September 30, 2026, at which time Vida intends to extend the facility for an additional four years. Vida's Australian Dollar ("AUD") term debt is secured by its property, plant and equipment.

Canfor's term debt (excluding Vida) is subject to certain financial covenants, including a maximum net debt to total capitalization ratio. As at June 30, 2026, Canfor was fully in compliance with all covenants relating to its term debt.

Vida's term debt is subject to certain financial covenants, including a minimum equity ratio and a minimum inventory to interest-bearing loan ratio. As at June 30, 2026, Vida was fully in compliance with all covenants relating to its term debt. Substantially all borrowings of Vida are non-recourse to other entities within the Company.

Debt covenants.

Canfor and Vida remained in compliance with all covenants relating to their respective operating and revolving loan facilities as well as their term debt during the quarter.

Net debt and liquidity.

As at June 30, 2026, on a consolidated basis, including Vida, the Company had total net debt of $658.3 million, a $211.0 million decrease from net debt of $869.3 million at the end of the previous quarter. Available liquidity of $1,182.3 million, increased by $215.6 million from the previous quarter.

The Company's consolidated net debt to total capitalization at the end of the second quarter of 2026 was 19.9%. Debt in this calculation is comprised of the Company's operating loan facilities, term debt as well as its duty deposit loan.

Normal course issuer bid.

On March 19, 2026, the Company announced that it had received regulatory approval for a renewal of its normal course issuer bid whereby it can purchase for cancellation up to 5,821,442 common shares, or approximately 5% of its issued and outstanding common shares as at March 16, 2026. The renewed normal course issuer bid is set to expire on March 22, 2027.

The Company did not repurchase any shares under its normal course issuer bid during the three and six months ended June 30, 2026.

Shares outstanding.

As at June 30, 2026, and July 29, 2026 there were 117,341,063 common shares of the Company outstanding. Canfor's ownership interest in Vida was 77.0%.

Duties and tariffs.

On January 1, 2026, the Company moved into the ninth period of review ("POR9"), which is based on sales and cost data in 2026. Consistent with prior periods of review, the Company was unable to estimate an applicable CVD rate separate from the US Department of Commerce's ("DOC") cash deposit rate. As a result, CVD was expensed at a rate of 12.12% and ADD was expensed at an estimated accrual rate of 8.00%. This resulted in a combined accounting rate of 20.12% for the first and second quarters of 2026 (versus the DOC's combined cash deposit rate of 47.59%).

In April 2026, the DOC announced the preliminary CVD and ADD results for the seventh period of review ("POR7") which indicated that the Company's preliminary CVD rate for 2024 was 14.17% and ADD was 16.85%, resulting in a combined rate of 31.02%. In June 2026 the preliminary CVD rate was updated to be 14.52%, resulting in a combined rate of 31.37%. Upon finalization of these rates (anticipated in the fourth quarter of 2026), an expense estimated at $47.7 million (US$33.6 million), will be recognized in the Company's condensed consolidated interim financial statements to reflect the difference between the combined accrual rate of 23.36% from January to July 2024 and 28.14% from August to December 2024 and the DOC rate for POR7 (currently estimated to be 31.37% based on the preliminary determination). In addition, once final, the Company's current combined cash deposit rate of 47.59% will be reset to the DOC rates for POR7 (currently estimated to be 31.37% based on preliminary determination).

Despite cash deposits being made in 2026 at rates determined by the DOC, the final liability associated with duties is not determined until the completion of administrative reviews performed by the DOC for these periods.

Canfor will continue to reassess the ADD accrual estimate at each quarter-end, applying the DOC's methodology to updated sales and cost data as this becomes available. Quarterly revisions to the ADD rate may result in a material adjustment to the condensed consolidated interim statement of income (loss) while the Administrative Reviews are taking place. Changes to the DOC's existing CVD and ADD rates during the course of each administrative review may also result in material adjustments to the condensed consolidated interim statement of income (loss).

Canfor and other Canadian forest product companies, the Federal Government and Canadian Provincial Governments continue to categorically deny the US allegations and strongly disagree with the current CVD and ADD determinations made by the DOC. Canada has proceeded with legal challenges under the Canada-United States-Mexico Agreement ("CUSMA") and through the World Trade Organization, where Canadian litigation has proven successful in the past.

Subsequent events.

On June 9, 2026, the Company announced that it had entered into an agreement to purchase PinkWood Ltd. for $68.0 million, including working capital. PinkWood is located in Calgary, Alberta and is the largest producer of I-joists in Canada. The transaction closed on July 3, 2026.

On July 14, 2026, the Company announced the permanent closure of its Northwood NBSK pulp mill in Prince George, British Columbia. Operations are expected to cease by the end of 2026, and remove approximately 300,000 tonnes of annual NBSK production capacity.

On July 28, 2026, the Company announced the permanent closure of its Fox Creek sawmill in Fox Creek, Alberta. The facility is scheduled to wind down operations over the summer, and reduce the Company's annual lumber production capacity by approximately 120 million board feet.

The Company is currently assessing the financial implications of these closures. Based on preliminary estimates, the Company anticipates to record restructuring costs of approximately $30.0 million in its pulp segment, as well as an asset write-down and impairment charge of approximately $35.0 million and restructuring costs of approximately $3.0 million in its lumber segment.

As these decisions were made subsequent to June 30, 2026, in accordance with IFRS, no amounts have been recognized in the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2026. As a result, these estimated costs are anticipated to be recognized in the third quarter of 2026.

Outlook.

Lumber.

Looking ahead, North American lumber markets are anticipated to remain solid in the early part of the third quarter of 2026, underpinned by lean inventories and ongoing transportation constraints, particularly in the US South. However, North American lumber markets are likely to moderate later in the third quarter of 2026, reflecting persistent affordability challenges and macroeconomic uncertainty.

Offshore lumber market conditions in Asia are projected to remain challenging. In Japan, continued substitution towards domestically sourced species is projected to pressure import lumber demand and pricing through the third quarter of 2026. In China, demand is forecast to remain subdued, amid ongoing weakness in construction activity and limited evidence of a near-term market recovery.

In Europe, lumber market fundamentals are anticipated to remain relatively balanced through the third quarter of 2026. Steady demand, constrained supply, and ongoing export activity are projected to support pricing. Market conditions in the UK are likely to remain stable, while demand and pricing in the MENA are dependent on geopoliticial tensions in the region.

Pulp and paper.

Looking ahead, global softwood kraft pulp market conditions are anticipated to remain under pressure during the third quarter of 2026, largely reflecting a structural shift in pulp market fundamentals as additional global pulp capacity continues to enter the market. In addition, persistent economic and geopolitical uncertainty is projected to continue to weigh on near-term demand, contributing to elevated producer inventories and subdued softwood pulp pricing.

Demand for bleached kraft paper is projected to remain stable through the third quarter of 2026, globally and in North American markets. This outlook is supported by strengthening paper-based packaging demand, though ongoing uncertainty surrounding Canada-US trade relations and global manufacturing overcapacity remain notable offsetting factors.

No major maintenance outages are scheduled at the Company's pulp mills or paper machine through the balance of 2026.

Critical accounting estimates.

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the amounts recorded in the financial statements. On an ongoing basis, Management reviews its estimates, including those related to useful lives for amortization, impairment of long-lived assets, certain receivables, pension and other employee future benefit plans, asset retirement and deferred reforestation obligations, and the determination of ADD expensed and recorded as recoverable based upon currently available information. While it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates, Management does not believe it is likely that any such differences will materially affect the Company’s financial condition, other than the possibility of material effects to the income statement from the Company’s estimated ADD net duty deposits recoverable as discussed in Notes 5 and 13 of the condensed consolidated interim financial statements.

Internal controls over financial reporting.

During the quarter ended June 30, 2026, there were no changes in the Company’s internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

Risks and uncertainties.

A comprehensive discussion of risks and uncertainties is included in the Company’s 2025 annual statutory reports which are available on canfor.com or www.sedarplus.ca.

Canfor continues to monitor geopolitical developments, including ongoing tensions in the Middle East, for their potential impact on global trade flows, transportation networks, energy markets and inflationary pressures, all of which could adversely affect the Company’s financial results. In addition, the Company continues to monitor the trade situation between Canada and Europe, into the US, as tariffs or potential tariffs could impact the Company’s financial results. Please see the Company’s annual disclosures referenced above for further information.

In addition to exposure to changes in product prices and foreign exchange, the Company's financial results are impacted by seasonal factors such as weather and building activity. Adverse weather conditions, as well as forest fires, can cause logging curtailments, which can affect the supply of raw materials to sawmills and pulp mills. Market demand also varies seasonally to some degree. For example, building activity and repair and renovation work, which affects demand for lumber products, is generally stronger in the spring and fall months. Shipment volumes are affected by these factors as well as by global supply chain networks and demand conditions. Net income (loss) is also impacted by fluctuations in Canadian dollar exchange rates, and the revaluation to the period end rate of US-dollar and SEK denominated working capital balances, US-dollar and SEK denominated debt and revaluation of outstanding derivative financial instruments.

Selected quarterly financial information.

(millions of Canadian dollars)	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024
Sales and income (loss)								
Sales	**$ 1,526.4**	$ 1,359.1	$ 1,282.3	$ 1,259.8	$ 1,379.4	$ 1,417.5	$ 1,285.7	$ 1,202.9
Operating income (loss) before amortization, asset write-downs, and impairments[25, 26]	**$ 114.5**	$ 28.5	$ (38.7)	$ (110.7)	$ 39.6	$ 72.6	$ 52.7	$ (144.4)
Operating income (loss)	**$ 4.8**	$ (72.5)	$ (415.9)	$ (208.3)	$ (251.4)	$ (28.5)	$ (45.9)	$ (559.7)
Net loss	**$ (19.0)**	$ (83.6)	$ (460.5)	$ (184.1)	$ (203.0)	$ (26.0)	$ (62.2)	$ (423.3)
Shareholder net loss	**$ (18.5)**	$ (72.1)	$ (390.5)	$ (172.4)	$ (202.8)	$ (31.0)	$ (63.3)	$ (350.1)
Per common share (Canadian dollars)								
Shareholder net loss - basic and diluted	**$ (0.16)**	$ (0.62)	$ (3.35)	$ (1.48)	$ (1.71)	$ (0.26)	$ (0.53)	$ (2.96)
Book value[27]	**$ 20.86**	$ 20.79	$ 21.53	$ 24.98	$ 25.98	$ 28.18	$ 27.97	$ 27.41
Statistics								
Lumber shipments (MMfbm)[28]	**1,352**	1,257	1,331	1,219	1,387	1,266	1,270	1,228
Pulp shipments (000 mt)	**96**	117	90	105	102	112	97	125
Average exchange rate - US$/Cdn$	**$ 0.723**	$ 0.729	$ 0.717	$ 0.726	$ 0.723	$ 0.697	$ 0.715	$ 0.733
Average exchange rate - SEK/Cdn$	**6.761**	6.658	6.748	6.908	6.980	7.426	7.708	7.639
Average Western SPF 2x4 #2&Btr lumber price (US)	**$ 488**	$ 463	$ 422	$ 477	$ 471	$ 492	$ 435	$ 366
Average SYP (East) 2x4 #2&Btr lumber price (US)	**$ 517**	$ 495	$ 368	$ 373	$ 481	$ 448	$ 424	$ 380
Average SYP (East) 2x6 #2&Btr lumber price (US)	**$ 457**	$ 425	$ 345	$ 315	$ 325	$ 404	$ 367	$ 270
Average NBSK pulp list price delivered to China (US)	**$ 658**	$ 685	$ 671	$ 690	$ 734	$ 793	$ 767	$ 771

[25]. Amortization includes amortization of certain capitalized major maintenance costs.

[26]. An asset write-down and impairment charge totaling $13.7 million was recognized in Q2 2026 (Q4 2025 – $320.4 million, which included a $52.5 million write-off of a previously recognized deferred tax asset. The deferred tax asset write-off was not included in reported operating income (loss) and as a result, reported operating income (loss) in the table above, was only adjusted by $267.9 million, representing the asset write-down and impairment charge associated with goodwill, property, plant and equipment and material and supplies inventories; Q2 2025 – $188.6 million, and Q3 2024 – $311.3 million).

[27]. Book value per common share is equal to shareholders' equity at the end of the period, divided by the number of common shares outstanding at the end of the period.

[28]. 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.

Other factors that impact the comparability of the quarters are noted below:

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except per share amounts)	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024
Shareholder net loss, as reported	**$ (18.5)**	$ (72.1)	$ (390.5)	$ (172.4)	$ (202.8)	$ (31.0)	$ (63.3)	$ (350.1)
Foreign exchange (gain) loss on term debt	**(7.9)**	(3.4)	3.4	(3.4)	7.3	1.2	(2.7)	(3.5)
Foreign exchange (gain) loss on duty deposits loan	**7.3**	4.7	(5.4)	6.2	(14.7)	(2.5)	21.3	–
(Gain) loss on derivative financial instruments	**2.6**	2.2	(0.4)	(1.6)	(0.7)	(5.8)	4.8	0.2
Asset write-downs and impairments, net of tax	**10.9**	–	250.6	–	143.9	–	–	158.7
Net impact of above items	**$ 12.9**	$ 3.5	$ 248.2	$ 1.2	$ 135.8	$ (7.1)	$ 23.4	$ 155.4
Adjusted shareholder net loss[29]	**$ (5.6)**	$ (68.6)	$ (142.3)	$ (171.2)	$ (67.0)	$ (38.1)	$ (39.9)	$ (194.7)
Shareholder net loss per share (EPS), as reported	**$ (0.16)**	$ (0.62)	$ (3.35)	$ (1.48)	$ (1.71)	$ (0.26)	$ (0.53)	$ (2.96)
Net impact of above items per share	**0.11**	0.03	2.13	0.01	1.15	(0.06)	0.20	1.31
Adjusted shareholder net loss per share[29]	**$ (0.05)**	$ (0.59)	$ (1.22)	$ (1.47)	$ (0.56)	$ (0.32)	$ (0.33)	$ (1.65)

[29]. Adjusted shareholder net loss is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

Non-IFRS financial measures.

Throughout this interim MD&A, reference is made to certain non-IFRS financial measures which are used to evaluate the Company's performance but are not generally accepted under IFRS. The following table provides a reconciliation of these non-IFRS financial measures to figures reported in the Company's condensed consolidated interim financial statements:

(millions of Canadian dollars)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Reported operating income (loss)	**$ 4.8**	$ (72.5)	**$ (67.7)**	$ (251.4)	$ (279.9)
Asset write-downs and impairments - lumber segment[30]	**13.7**	–	**13.7**	188.6	188.6
Inventory write-down (recovery), net[31]	**(3.7)**	(20.0)	**(23.7)**	12.1	8.4
Adjusted operating income (loss)	**$ 14.8**	$ (92.5)	**$ (77.7)**	$ (50.7)	$ (82.9)
One-time items - lumber segment					
Restructuring and closure costs[32]	**8.8**	–	**8.8**	6.7	6.7
Adjusted operating income (loss) before one-time items	**$ 23.6**	$ (92.5)	**$ (68.9)**	$ (44.0)	$ (76.2)
Amortization	**96.0**	101.0	**197.0**	102.4	203.5
Adjusted operating income before amortization and one-time items	**$ 119.6**	$ 8.5	**$ 128.1**	$ 58.4	$ 127.3

[30]. For the lumber segment, an asset write-down and impairment charge totaling $13.7 million was recognized in Q2 2026 (Q1 2026 – no asset write-down and impairment charges were recognized; Q2 2025 – $188.6 million asset write-down and impairment charge related to the permanent closures of Darlington and Estill sawmills).

[31]. For the lumber segment, a $7.0 million net reversal of a previously recognized inventory write-down was recorded in Q2 2026 (Q1 2026 – $20.0 million net reversal of a previously recognized inventory write-down, Q2 2025 – $9.2 million net inventory write-down expense). For the pulp and paper segment, a $3.3 million net inventory write-down expense was recognized in Q2 2026 (Q1 2026 – no inventory valuation adjustment was recognized, Q2 2025 – $2.9 million net inventory write-down expense).

[32]. Restructuring and closure costs of $8.8 million were recognized in Q2 2026, primarily related to the permanent closures of the Urshult and Orrefors sawmills in Europe (Q1 2026 – no restructuring and closure costs were recognized; Q2 2025 – restructuring and closure costs of $6.7 million in the lumber segment, largely related to the permanent closures of Darlington and Estill sawmills).

(millions of Canadian dollars, except ratios)	Q2 2026	Q1 2026	YTD 2026	Q2 2025	YTD 2025
Reported operating income (loss)	**$ 4.8**	$ (72.5)	**$ (67.7)**	$ (251.4)	$ (279.9)
Realized (gain) loss on derivative financial instruments	**1.8**	0.6	**2.4**	1.0	(3.6)
Other income (expense), net	**7.4**	1.3	**8.7**	(1.7)	(1.9)
Less: non-controlling interests	**6.0**	(9.5)	**(3.5)**	(2.0)	(8.7)
Return (Loss)	**$ 8.0**	$ (61.1)	**$ (53.1)**	$ (250.1)	$ (276.7)
Average invested capital[33]	**$ 3,608.6**	$ 3,582.1	**$ 3,577.4**	$ 4,076.7	$ 4,069.8
Return on invested capital (ROIC)	**0.2%**	(1.7)%	**(1.5)%**	(6.1)%	(6.8)%

[33]. Average invested capital represents the average during the period of total assets excluding cash and cash equivalents and total liabilities excluding term debt, retirement benefit obligations, long-term deferred reforestation obligations, and deferred taxes, net of non-controlling interests.

(millions of Canadian dollars, except ratios)	As at June 30, 2026	As at December 31, 2025	As at June 30, 2025
Term debt	**$ 147.6**	$ 154.9	$ 114.4
Duty deposits loan	**342.2**	333.8	317.9
Operating loans	**403.2**	307.4	159.1
Less: cash and cash equivalents	**234.7**	132.4	112.9
Net debt	**$ 658.3**	$ 663.7	$ 478.5
Total equity	**$ 2,644.2**	$ 2,724.2	$ 3,315.9
Total capitalization	**$ 3,302.5**	$ 3,387.9	$ 3,794.4
Net debt to total capitalization	**19.9%**	19.6%	12.6%

Canfor Corporation.

Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		As at June 30, 2026		As at December 31, 2025
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**234.7**	$	132.4
Trade receivables		**430.2**		336.2
Other receivables		**101.0**		120.3
Income taxes recoverable		**31.1**		41.2
Inventories (Note 3)		**947.9**		955.5
Prepaid expenses and other		**93.7**		137.4
Total current assets		**1,838.6**		1,723.0
Property, plant and equipment		**2,287.1**		2,324.8
Right-of-use assets		**118.2**		125.5
Timber licenses		**307.1**		312.3
Goodwill and other intangible assets		**242.0**		237.6
Long-term investments and other (Note 5)		**279.7**		259.0
Total assets	**$**	**5,072.7**	$	4,982.2
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**794.2**	$	706.8
Operating loans (Note 6(a))		**403.2**		307.4
Current portion of deferred reforestation obligations		**46.2**		46.2
Current portion of term debt (Note 6(b))		**76.2**		85.8
Current portion of lease obligations		**37.5**		34.8
Income taxes payable		**5.9**		9.0
Total current liabilities		**1,363.2**		1,190.0
Term debt (Note 6(b))		**71.4**		69.1
Duty deposits loan		**342.2**		333.8
Retirement benefit obligations (Note 7)		**128.2**		129.8
Lease obligations		**92.1**		100.4
Deferred reforestation obligations		**74.8**		61.0
Other long-term liabilities		**62.9**		69.3
Put liability (Note 8)		**140.3**		135.5
Deferred income taxes, net		**153.4**		169.1
Total liabilities	**$**	**2,428.5**	$	2,258.0
EQUITY				
Share capital	**$**	**929.3**	$	918.5
Contributed surplus and other equity		**(103.2)**		(96.7)
Retained earnings		**1,370.7**		1,467.8
Accumulated other comprehensive income		**251.0**		216.7
Total equity attributable to equity shareholders of the Company		**2,447.8**		2,506.3
Non-controlling interests		**196.4**		217.9
Total equity	**$**	**2,644.2**	$	2,724.2
Total liabilities and equity	**$**	**5,072.7**	$	4,982.2

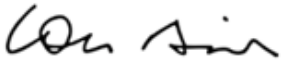
Subsequent Events (Note 16)

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

APPROVED BY THE BOARD



Director, C. Yaremko



Director, The Hon. J.R. Baird

Canfor Corporation.

Condensed Consolidated Statements of Income (Loss)

(millions of Canadian dollars, except per share data, unaudited)	3 months ended June 30, 2026	3 months ended June 30, 2025	6 months ended June 30, 2026	6 months ended June 30, 2025
Sales	**$ 1,526.4**	$ 1,379.4	**$ 2,885.5**	$ 2,796.9
Costs and expenses				
Manufacturing and product costs	**1,142.0**	1,119.5	**2,254.2**	2,244.0
Freight and other distribution costs	**182.0**	148.6	**328.3**	304.7
Duties and tariff expense, net (Note 13)	**34.2**	18.6	**62.3**	41.4
Amortization	**96.0**	102.4	**197.0**	203.5
Selling and administration costs	**44.9**	46.4	**88.9**	87.9
Restructuring costs (Note 14)	**8.8**	6.7	**8.8**	6.7
Asset write-downs and impairments (Note 14)	**13.7**	188.6	**13.7**	188.6
	1,521.6	1,630.8	**2,953.2**	3,076.8
Operating income (loss)	**4.8**	(251.4)	**(67.7)**	(279.9)
Finance expense, net	**(31.2)**	(22.0)	**(56.5)**	(41.9)
Foreign exchange gain (loss) on term debt	**7.9**	(7.3)	**11.3**	(8.5)
Foreign exchange gain (loss) on duty deposits loan and duty deposits recoverable, net	**(6.0)**	10.5	**(10.2)**	12.3
Gain (loss) on derivative financial instruments (Note 8)	**(4.1)**	0.7	**(7.3)**	10.5
Other income (expense), net	**7.4**	(1.7)	**8.7**	(1.9)
Net loss before income taxes	**(21.2)**	(271.2)	**(121.7)**	(309.4)
Income tax recovery (Note 9)	**2.2**	68.2	**19.1**	80.4
Net loss	**$ (19.0)**	$ (203.0)	**$ (102.6)**	$ (229.0)
Net income (loss) attributable to:				
Equity shareholders of the Company	**$ (18.5)**	$ (202.8)	**$ (90.6)**	$ (233.8)
Non-controlling interests	**(0.5)**	(0.2)	**(12.0)**	4.8
Net loss	**$ (19.0)**	$ (203.0)	**$ (102.6)**	$ (229.0)
Net loss per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 10)	**$ (0.16)**	$ (1.71)	**$ (0.77)**	$ (1.97)

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

Canfor Corporation.

Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars, unaudited)	3 months ended June 30, 2026	2025	6 months ended June 30, 2026	2025
Net loss	**$ (19.0)**	$ (203.0)	**$ (102.6)**	$ (229.0)
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains (losses), net (Note 7)	**8.3**	10.0	**(1.2)**	7.0
Income tax recovery (expense) on defined benefit plan actuarial gains (losses), net (Note 9)	**(2.2)**	(2.7)	**0.3**	(1.9)
	6.1	7.3	**(0.9)**	5.1
Items that may be reclassified subsequently to net income (loss):				
Foreign exchange translation of foreign operations, net of tax	**24.1**	(73.9)	**34.3**	(16.6)
Other comprehensive income (loss), net of tax	**30.2**	(66.6)	**33.4**	(11.5)
Total comprehensive income (loss)	**$ 11.2**	$ (269.6)	**$ (69.2)**	$ (240.5)
Total comprehensive income (loss) attributable to:				
Equity shareholders of the Company	**$ 11.7**	$ (270.4)	**$ (57.2)**	$ (246.0)
Non-controlling interests	**(0.5)**	0.8	**(12.0)**	5.5
Total comprehensive income (loss)	**$ 11.2**	$ (269.6)	**$ (69.2)**	$ (240.5)

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

Canfor Corporation.

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended June 30, 2026	3 months ended June 30, 2025	6 months ended June 30, 2026	6 months ended June 30, 2025
Share capital				
Balance at beginning of period	**$ 929.3**	$ 932.0	**$ 918.5**	$ 934.1
Share issuance (Note 4)	**–**	–	**10.8**	–
Share purchases (Note 10)	**–**	(9.0)	**–**	(11.1)
Balance at end of period	**$ 929.3**	$ 923.0	**$ 929.3**	$ 923.0
Contributed surplus and other equity				
Balance at beginning of period	**$ (99.9)**	$ (90.5)	**$ (96.7)**	$ (87.6)
Put liability (Note 8)	**(3.3)**	(2.9)	**(6.5)**	(5.8)
Balance at end of period	**$ (103.2)**	$ (93.4)	**$ (103.2)**	$ (93.4)
Retained earnings				
Balance at beginning of period	**$ 1,383.1**	$ 2,232.4	**$ 1,467.8**	$ 2,267.5
Net loss attributable to equity shareholders of the Company	**(18.5)**	(202.8)	**(90.6)**	(233.8)
Dissolution of non-controlling interests (Note 4)	**–**	–	**(5.6)**	–
Defined benefit plan actuarial gains (losses), net of tax	**6.1**	6.3	**(0.9)**	4.4
Share purchases (Note 10)	**–**	(7.0)	**–**	(9.2)
Balance at end of period	**$ 1,370.7**	$ 2,028.9	**$ 1,370.7**	$ 2,028.9
Accumulated other comprehensive income				
Balance at beginning of period	**$ 226.9**	$ 255.1	**$ 216.7**	$ 197.8
Foreign exchange translation of foreign operations, net of tax	**24.1**	(73.9)	**34.3**	(16.6)
Balance at end of period	**$ 251.0**	$ 181.2	**$ 251.0**	$ 181.2
Total equity attributable to equity shareholders of the Company	**$ 2,447.8**	$ 3,039.7	**$ 2,447.8**	$ 3,039.7
Non-controlling interests				
Balance at beginning of period	**$ 196.4**	$ 275.4	**$ 217.9**	$ 272.0
Net income (loss) attributable to non-controlling interests	**(0.5)**	(0.2)	**(12.0)**	4.8
Defined benefit plan actuarial gains attributable to non-controlling interests, net of tax	**–**	1.0	**–**	0.7
Dissolution of non-controlling interests (Note 4)	**–**	–	**(9.2)**	–
Distributions from (to) non-controlling interests, net	**0.5**	–	**(0.3)**	(1.3)
Balance at end of period	**$ 196.4**	$ 276.2	**$ 196.4**	$ 276.2
Total equity	**$ 2,644.2**	$ 3,315.9	**$ 2,644.2**	$ 3,315.9

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

Canfor Corporation.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended June 30, 2026	3 months ended June 30, 2025	6 months ended June 30, 2026	6 months ended June 30, 2025
Cash generated from (used in):				
Operating activities				
Net loss	**$ (19.0)**	$ (203.0)	**$ (102.6)**	$ (229.0)
Items not affecting cash:				
Amortization	**96.0**	102.4	**197.0**	203.5
Income tax recovery (Note 9)	**(2.2)**	(68.2)	**(19.1)**	(80.4)
Change in long-term portion of deferred reforestation obligations, net	**(3.2)**	(5.1)	**13.0**	14.6
Foreign exchange (gain) loss on term debt	**(7.9)**	7.3	**(11.3)**	8.5
Foreign exchange (gain) loss on duty deposits loan and duty deposits recoverable, net	**6.0**	(10.5)	**10.2**	(12.3)
Duties paid greater than accruals (Note 13)	**(24.2)**	(0.4)	**(44.4)**	(1.0)
Changes in mark-to-market value of derivative financial instruments	**2.4**	(1.7)	**5.0**	(6.9)
Employee future benefits expense	**0.2**	1.0	**2.0**	2.1
Finance expense, net	**31.2**	22.0	**56.5**	41.9
Restructuring costs (Note 14)	**8.8**	6.7	**8.8**	6.7
Asset write-downs and impairments (Note 14)	**13.7**	188.6	**13.7**	188.6
Other, net	**(10.1)**	(1.8)	**(7.4)**	1.2
Defined benefit plan contributions, net	**(2.4)**	(2.9)	**(4.6)**	(5.4)
Income taxes received (paid), net	**(7.4)**	(14.7)	**0.1**	(21.6)
	81.9	19.7	**116.9**	110.5
Net change in non-cash working capital (Note 11)	**128.0**	44.1	**15.9**	(117.3)
	209.9	63.8	**132.8**	(6.8)
Financing activities				
Operating loan drawings (repayments), net (Note 6(a))	**(40.2)**	(12.6)	**90.5**	55.1
Changes in term debt, net (Note 6(b))	**(4.3)**	–	**(8.5)**	(0.1)
Payments of lease obligations	**(10.3)**	(9.9)	**(19.8)**	(19.9)
Finance expenses paid	**(18.5)**	(8.8)	**(29.1)**	(15.8)
Share purchases (Note 10)	**–**	(16.6)	**–**	(20.2)
Distributions received from (paid to) non-controlling interests, net	**0.5**	–	**(0.3)**	(1.3)
	(72.8)	(47.9)	**32.8**	(2.2)
Investing activities				
Additions to property, plant and equipment and intangible assets, net	**(46.0)**	(50.9)	**(111.9)**	(173.0)
Proceeds from the sale of property, plant and equipment and intangible assets (Note 15)	**22.0**	0.7	**22.3**	2.5
Sale of long-term investments, net (Notes 5 and 8)	**52.7**	16.9	**22.0**	15.7
Interest income received	**0.6**	0.5	**1.0**	1.9
Cash consideration for the acquisition of Canfor Pulp's non-controlling interest (Note 4)	**–**	–	**(4.0)**	–
Other, net	**8.1**	(0.4)	**8.1**	2.3
	37.4	(33.2)	**(62.5)**	(150.6)
Foreign exchange gain (loss) on cash and cash equivalents	**–**	1.7	**(0.8)**	13.2
Increase (decrease) in cash and cash equivalents*	**174.5**	(15.6)	**102.3**	(146.4)
Cash and cash equivalents at beginning of period*	**60.2**	128.5	**132.4**	259.3
Cash and cash equivalents at end of period*	**$ 234.7**	$ 112.9	**$ 234.7**	$ 112.9

*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 Corporation and its subsidiaries, hereinafter referred to as "Canfor" or "the Company". Significant subsidiaries include Canfor Southern Pine, Inc. ("CSP") and entities related to Millar Western Forest Products Ltd. ("Millar Western"), which are wholly owned, as well as Canfor Pulp Products Inc. ("Canfor Pulp", "CPPI") of which Canfor owned 54.8% until March 17, 2026 and 100% thereafter, and the Vida Group ("Vida") of which Canfor owned 77.0% at June 30, 2026 and July 29, 2026.

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, 2025, available at www.canfor.com or www.sedarplus.ca.

These financial statements were authorized for issue by the Company's Board of Directors on July 29, 2026.

2. Seasonality of Operations

Canfor's financial results are impacted by seasonal factors such as weather and building activity. Adverse weather conditions such as forest fires, hurricanes and flooding, can cause logging curtailments which can affect the supply of raw materials to sawmills and pulp mills. Market demand also varies seasonally to some degree. Building activity and repair and renovation work, which affect demand for solid wood products, are generally stronger in the spring and fall months. Shipment volumes are affected by these factors as well as by global supply and demand conditions.

3. Inventories

(millions of Canadian dollars, unaudited)		**As at June 30, 2026**		As at December 31, 2025
Logs	**$**	**135.6**	$	135.6
Finished products		**635.2**		633.7
Residual fibre		**40.0**		47.5
Materials and supplies[1]		**137.1**		138.7
	$	**947.9**	$	955.5

[1] No asset write-down and impairment charge in 2026 (2025 – $13.2 million).

The above inventory balances are stated at the lower of cost and net realizable value. For the three months ended June 30, 2026, a $7.0 million net reversal of a previously recognized inventory write-down was recognized for the lumber segment (six months ended June 30, 2026 – $27.0 million net reversal). For the three months ended June 30, 2025, a $9.2 million net inventory write-down expense was recorded for the lumber segment (six months ended June 30, 2025, $5.5 million net inventory write-down expense). As a result of this remeasurement, combined with a net foreign exchange gain of $0.1 million for the six months ended June 30, 2026, (three and six months ended June 30, 2025 – $0.3 million and $0.4 million net foreign exchange gains, respectively), an inventory provision of $4.4 million has been recognized for logs and lumber as at June 30, 2026 (December 31, 2025 – provision of $31.5 million).

For the three and six months ended June 30, 2026, a $3.3 million net inventory write-down expense was recognized for the pulp and paper segment. For the three and six months ended June 30, 2025, a $2.9 million net inventory write-down expense was recognized for the pulp and paper segment. As at June 30, 2026, an inventory provision of $14.6 million has been recognized for the pulp and paper segment (December 31, 2025 – $11.3 million inventory provision).

4. Acquisition of Canfor Pulp's Non-Controlling Interest

On March 17, 2026, the Company acquired the remaining non-controlling interest in CPPI, resulting in 100% ownership.

Prior to the closing of the transaction, the Company held 35.8 million shares of Canfor Pulp, representing 54.8% of the outstanding common shares. Upon closing, the Company acquired the remaining 29.5 million shares, resulting in 100% ownership of Canfor Pulp. The aggregate consideration paid to former Canfor Pulp shareholders at closing consisted of approximately $4.0 million in cash and 912,217 in Canfor common shares. As control was retained, the transaction was accounted for as an equity transaction. The carrying amount of Canfor Pulp's net assets in the Company's consolidated financial statements at the date of the transaction was $20.4 million.

(millions of Canadian dollars, unaudited)		
Carrying amount of non-controlling interest acquired ($20.4 million x 45.2%)	$	9.2
Less:		
Consideration paid to non-controlling interest		4.0
Canfor shares issued		10.8
A decrease in equity attributable to the shareholders of the Company	$	(5.6)

5. Long-Term Investments and Other

(millions of Canadian dollars, unaudited)		**As at June 30, 2026**		As at December 31, 2025
Duty deposits recoverable, net (Note 13)	**$**	**56.8**	$	27.6
Other deposits, loans, advances and long-term assets		**33.4**		35.2
Other investments		**51.4**		69.7
Retirement benefit surplus		**22.5**		25.4
Investment tax credit		**1.6**		1.3
Deferred income taxes, net		**114.0**		99.8
	$	**279.7**	$	259.0

The duty deposits recoverable, net balance of $56.8 million represents US-dollar countervailing ("CVD") and anti-dumping duties ("ADD") and duty cash deposits paid in excess of the calculated expense accrued at June 30, 2026, including a net interest receivable balance of $22.1 million (December 31, 2025 – $30.7 million) (Note 13).

Included in the net interest receivable balance of $22.1 million is $34.7 million in interest receivable from the US government on certain CVD and ADD related accounts receivable balances secured under the terms of the duty deposits loan related to the period from September 27, 2024 to June 30, 2026 and payable to Farallon Capital Management L.L.C. ("Farallon").

In June 2026, the Company received $7.8 million (US$5.6 million) from the US Department of Commerce ("DOC") as a partial refund of ADD for the first period of review (“POR1”) related to certain exports between August and December of 2017. These receipts reduced the duty deposits recoverable, net at June 30, 2026.

During the three and six months ended June 30, 2026, the Company sold and repurchased investments in certain funds, with net proceeds of $52.7 million and $22.0 million, respectively (three and six months ended June 30, 2025 – net proceeds of $16.9 million and $15.7 million, respectively). These highly liquid investments with maturities exceeding one year, were initially measured at cost and subsequently measured at fair value through net income (loss) and classified as Level 1 (Note 8).

6. Operating Loans and Term Debt

(a) Available Operating Loans

(millions of Canadian dollars, unaudited)		As at June 30, 2026		As at December 31, 2025
Canfor (excluding Vida)[2]				
Available operating loans:				
Operating loan facility	**$**	**1,001.3**	$	925.6
Revolving credit facility (US$150.0 million)		**213.0**		206.1
Facilities for letters of credit		**80.0**		80.0
Total operating loan facilities		**1,294.3**		1,211.7
Operating loan and revolving credit facilities drawn		**(367.0)**		(184.4)
Letters of credit covered under operating loan facility		**(2.7)**		(2.7)
Letters of credit covered under facilities for letters of credit		**(57.1)**		(44.1)
Total available operating loan facilities – Canfor	**$**	**867.5**	$	980.5
Vida				
Available operating loans:				
Operating loan facilities	**$**	**75.1**	$	75.9
Overdraft facilities		**41.2**		35.2
Total operating loan facilities		**116.3**		111.1
Operating loan and overdraft facilities drawn		**(36.2)**		(4.0)
Total available operating loan and overdraft facilities – Vida	**$**	**80.1**	$	107.1
CPPI[2]				
Available operating loans:				
Operating loan facility	**$**	**–**	$	160.0
Temporary minimum liquidity restriction		**–**		(10.0)
Letters of credit		**–**		(6.2)
Operating loan facility drawn		**–**		(119.0)
Total available operating loan facility – CPPI	**$**	**–**	$	24.8
Consolidated:				
Total operating loan facilities[2, 3]	**$**	**1,410.6**	$	1,472.8
Total operating loan facilities drawn	**$**	**(403.2)**	$	(307.4)
Total letters of credit	**$**	**(59.8)**	$	(53.0)
Total available operating loan facilities	**$**	**947.6**	$	1,112.4

[2] On March 26, 2026, Canfor's credit facilities were amended to include CPPI's standalone facility. See further details below.
[3] As at December 31, 2025, the total consolidated operating loan facility was adjusted for CPPI's temporary minimum liquidity restriction.

Operating loans – Canfor, excluding Vida.

Interest is payable on Canfor’s committed operating and revolving loan facilities (excluding Vida) at floating rates based on the lenders’ Canadian prime rate, bankers’ acceptances, US-dollar base rate or US-dollar floating rate, plus a margin that varies with Canfor’s debt to total capitalization ratios.

In the first quarter of 2026, Canfor executed amendments to certain terms of its credit facilities. These amendments included cancelling CPPI’s standalone operating loan facility and including Canfor Pulp under Canfor’s operating loan facility. Canfor’s operating loan facility was increased from approximately $925.0 million to approximately $1.0 billion, and the maturity date of the operating loan facility was extended from June 26, 2029, to March 26, 2030. In addition, the maturity date of the Company's revolving credit facility was extended from June 28, 2026 to June 28, 2027. On June 28, 2027, any amounts drawn on the committed revolving credit facility will be converted to US-dollar denominated floating rate term debt, with a maturity date of June 28, 2030.

All other terms, including pricing and covenants, are consistent with Canfor’s prior operating loan facilities.

Canfor's operating and revolving loan facilities may be drawn based on certain financial covenants, including a maximum net debt to total capitalization ratio of 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%. As at June 30, 2026, net debt to total capitalization was below the 42.5% threshold; therefore, Canfor was not subject to this test.

Operating loans – Vida.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 3.2% to 6.6%. Vida also has separate overdraft facilities with fixed interest rates ranging from 2.7% to 7.8%.

In the first quarter of 2026, Vida entered into a commitment with its lenders to replace its existing operating loan facilities. The terms of the new operating loan facilities include a Swedish Krona ("SEK") 435.0 million (CAD $64.1 million) committed revolving overdraft facility as well as an additional uncommitted facility of SEK 400.0 million (CAD $59.0 million). This facility is subject to an annual renewal and has a one-year term.

Vida's operating loan facilities are subject to certain financial covenants, including a minimum equity ratio and a minimum inventory to interest-bearing loan ratio. As at June 30, 2026, Vida was fully in compliance with all covenants relating to its operating loan facilities.

(b) Term Debt

(millions of Canadian dollars, unaudited)		**As at June 30, 2026**		As at December 31, 2025
Canfor (excluding Vida)				
US$50.0 million, floating interest, repayable on June 28, 2031	**$**	**71.0**	$	68.7
Vida				
AUD$0.5 million, floating interest, repayable on December 2, 2027		**0.4**		0.4
SEK 575.0 million, floating interest, repayable on September 30, 2026		**76.2**		85.8
Term debt at end of period	**$**	**147.6**	$	154.9
Less: Current portion		**(76.2)**		(85.8)
Long-term portion	**$**	**71.4**	$	69.1

Canfor's term debt (excluding Vida) is unsecured. Vida's SEK term debt is secured by the shares of Hedin and matures on September 30, 2026, at which time Vida intends to extend the facility for an additional four years. Vida's Australian Dollar ("AUD") term debt is secured by its property, plant and equipment.

Canfor's term debt (excluding Vida) is subject to certain financial covenants, including a maximum net debt to total capitalization ratio. As at June 30, 2026, Canfor was fully in compliance with all covenants relating to its term debt.

Vida's term debt is subject to certain financial covenants, including a minimum equity ratio and a minimum inventory to interest-bearing loan ratio. As at June 30, 2026, Vida was fully in compliance with all covenants relating to its term debt. Substantially all borrowings of Vida are non-recourse to other entities within the Company.

Fair value of total term debt.

At June 30, 2026, the fair value of the Company's term debt is $147.6 million (December 31, 2025 – $154.9 million), determined based on prevailing market rates for term debt with similar characteristics and risk profile.

7. Employee Future Benefits

For the three months ended June 30, 2026, actuarial gains of $8.3 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations (comprised of defined benefit pension plans as well as other benefit plans), principally reflecting a higher than anticipated return on plan assets. For the six months ended June 30, 2026, actuarial losses of $1.2 million (before tax) were recognized in other comprehensive income (loss).

For the three months ended June 30, 2025, actuarial gains of $10.0 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations (comprised of defined benefit pension plans as well as other benefit plans), primarily driven by a 0.4% increase in the discount rate used to value the net defined benefit obligations, offset to a degree by a lower than anticipated return on plan assets. For the six months ended June 30, 2025, actuarial gains of $7.0 million (before tax) were recognized in other comprehensive income (loss).

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

	Defined Benefit Pension Plans	Other Benefit Plans
June 30, 2026	**5.0 %**	**5.0 %**
March 31, 2026	5.0 %	5.0 %
December 31, 2025	5.0 %	5.0 %
June 30, 2025	5.0 %	5.0 %
March 31, 2025	4.6 %	4.6 %
December 31, 2024	4.7 %	4.7 %

8. Financial Instruments

IFRS 13 *Fair Value Measurement* requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

The following table summarizes Canfor's financial instruments measured at fair value at June 30, 2026 and December 31, 2025, and shows the level within the fair value hierarchy in which they have been classified:

(millions of Canadian dollars, unaudited)	Fair Value Hierarchy Level		**As at June 30, 2026**		As at December 31, 2025
Financial assets measured at fair value					
Investments	Level 1	**$**	**48.7**	$	67.0
Derivative financial instruments	Level 2		**–**		2.1
Duty deposits recoverable, net (Note 5)	Level 3		**56.8**		27.6
		$	**105.5**	$	96.7
Financial liabilities measured at fair value					
Derivative financial instruments	Level 2	**$**	**2.8**	$	–
Put liability	Level 3		**140.3**		135.5
		$	**143.1**	$	135.5

During the three and six months ended June 30, 2026, the Company sold and repurchased investments in certain funds with net proceeds of $52.7 million and $22.0 million, respectively (three and six months ended June 30, 2025 – net proceeds of $16.9 million and $15.7 million, respectively). These highly liquid investments, with maturities exceeding one year, were initially measured at cost and subsequently measured at fair value through net income (loss) and classified as Level 1. These investments are included within 'Long-Term Investments and Other' on the Company's condensed consolidated interim balance sheet (Note 5).

The following table summarizes the gains (losses) on derivative financial instruments recognized in the condensed consolidated interim statement of income (loss):

	3 months ended June 30,			6 months ended June 30,		
(millions of Canadian dollars, unaudited)		**2026**	2025		**2026**	2025
Lumber futures	**$**	**(0.3)** $	2.2	**$**	**(2.5)** $	0.7
Foreign exchange forward contracts		**(3.8)**	(1.5)		**(4.8)**	9.8
Gain (loss) on derivative financial instruments	**$**	**(4.1)** $	0.7	**$**	**(7.3)** $	10.5

During the three and six months ended June 30, 2026, losses of $3.3 million and $6.5 million, respectively, were recognized in 'Other Equity' on the Company's condensed consolidated interim balance sheet following remeasurement of the put liability (three and six months ended June 30, 2025 – losses of $2.9 million and $5.8 million, respectively), primarily reflecting the passage of time.

As a result of this remeasurement, combined with net foreign exchange gains of $0.1 million and $1.7 million for the three and six months ended June 30, 2026, respectively (three and six months ended June 30, 2025 – foreign exchange losses of $1.1 million and $11.3 million, respectively), the balance of the put liability was $140.3 million at June 30, 2026 (December 31, 2025 – $135.5 million).

9. Income Taxes

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

	3 months ended June 30,		6 months ended June 30,	
(millions of Canadian dollars, unaudited)	**2026**	2025	**2026**	2025
Current	**$ (10.9)**	$ 2.8	**$ (6.0)**	$ (0.6)
Deferred	**13.1**	65.4	**25.1**	81.0
Income tax recovery	**$ 2.2**	$ 68.2	**$ 19.1**	$ 80.4

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

	3 months ended June 30,		6 months ended June 30,	
(millions of Canadian dollars, unaudited)	**2026**	2025	**2026**	2025
Income tax recovery at statutory rate of 27.0% (2025 – 27.0%)	**$ 5.8**	$ 73.2	**$ 32.9**	$ 83.5
Add (deduct):				
Additional losses for which no deferred tax asset is recognized	**(6.2)**	–	**(12.5)**	–
Non-taxable loss related to non-controlling interests	**(0.2)**	(0.2)	**(0.3)**	(0.4)
Entities with different income tax rates and other tax adjustments	**1.5**	(6.6)	**(1.9)**	(4.8)
Permanent difference from capital gains and losses and other non-deductible items	**1.3**	1.8	**0.9**	2.1
Income tax recovery	**$ 2.2**	$ 68.2	**$ 19.1**	$ 80.4

In addition to the amounts recorded to net loss, a tax expense of $2.2 million was recorded to other comprehensive income (loss) in relation to actuarial gains, net, on the defined benefit plans for the three months ended June 30, 2026 (three months ended June 30, 2025 – $2.7 million tax expense). For the six months ended June 30, 2026, a tax recovery of $0.3 million was recorded to other comprehensive income (loss) in relation to actuarial losses, net on the defined benefit plans (six months ended June 30, 2025 - $1.9 million tax expense).

10. Earnings (Loss) Per Common Share and Normal Course Issuer Bid

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

	3 months ended June 30,		6 months ended June 30,	
	2026	2025	**2026**	2025
Weighted average number of common shares	**117,341,063**	118,452,896	**116,970,162**	118,417,176

On March 19, 2026, the Company announced that it had received regulatory approval for a renewal of its normal course issuer bid whereby it can purchase for cancellation up to 5,821,442 common shares, or approximately 5% of its issued and outstanding common shares as at March 16, 2026. The renewed normal course issuer bid is set to expire on March 22, 2027.

The Company did not repurchase any shares under its normal course issuer bid during the three and six months ended June 30, 2026.

As at June 30, 2026, and July 29, 2026, based on the trade date, there were 117,341,063 common shares of the Company outstanding, including 912,217 shares issued as consideration for the Canfor Pulp acquisition (Note 4). Canfor’s ownership interest in Vida was 77.0%.

11. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended June 30, 2026	3 months ended June 30, 2025	6 months ended June 30, 2026	6 months ended June 30, 2025
Trade and other receivables	**$ (4.4)**	$ (2.8)	**$ (82.8)**	$ (72.6)
Inventories	**86.6**	58.6	**6.4**	(60.1)
Prepaid expenses and other	**18.4**	(26.8)	**37.1**	(35.1)
Accounts payable and accrued liabilities, and current portion of deferred reforestation obligations	**27.4**	15.1	**55.2**	50.5
Net change in non-cash working capital	**$ 128.0**	$ 44.1	**$ 15.9**	$ (117.3)

12. Segment Information

Canfor has two reportable segments, as described below, which offer different products and are managed separately because they require different production processes and marketing strategies.

Sales between segments are accounted for at prices that approximate fair value. These include sales of residual fibre from the lumber segment to the pulp and paper segment for use in the pulp production process.

(millions of Canadian dollars, unaudited)	Lumber	Pulp and paper	Unallocated and other	Elimination adjustment	Consolidated
3 months ended June 30, 2026					
Sales from contracts with customers	**$ 1,382.3**	**$ 144.1**	**$ –**	**$ –**	**$ 1,526.4**
Sales to other segments	**15.1**	**–**	**–**	**(15.1)**	**–**
Operating income (loss)	**41.2**	**(23.1)**	**(13.3)**	**–**	**4.8**
Amortization	**88.0**	**7.6**	**0.4**	**–**	**96.0**
Capital expenditures[4]	**36.9**	**8.8**	**0.3**	**–**	**46.0**
3 months ended June 30, 2025					
Sales from contracts with customers	$ 1,201.5	$ 177.9	$ –	$ –	$ 1,379.4
Sales to other segments	23.6	–	–	(23.6)	–
Operating loss	(229.2)	(5.3)	(16.9)	–	(251.4)
Amortization	93.0	8.8	0.6	–	102.4
Capital expenditures[4]	45.4	5.1	0.4	–	50.9
6 months ended June 30, 2026					
Sales from contracts with customers	**$ 2,575.1**	**$ 310.4**	**$ –**	**$ –**	**$ 2,885.5**
Sales to other segments	**34.5**	**–**	**–**	**(34.5)**	**–**
Operating loss	**(2.5)**	**(39.3)**	**(25.9)**	**–**	**(67.7)**
Amortization	**180.3**	**15.5**	**1.2**	**–**	**197.0**
Capital expenditures[4]	**90.7**	**20.5**	**0.7**	**–**	**111.9**
Total assets	**4,203.5**	**300.6**	**568.6**	**–**	**5,072.7**
6 months ended June 30, 2025					
Sales from contracts with customers	$ 2,422.8	$ 374.1	$ –	$ –	$ 2,796.9
Sales to other segments	51.1	–	–	(51.1)	–
Operating income (loss)	(254.7)	5.5	(30.7)	–	(279.9)
Amortization	182.9	19.3	1.3	–	203.5
Capital expenditures[4]	158.4	14.1	0.5	–	173.0
Total assets	4,441.2	393.9	586.8	–	5,421.9

[4] Capital expenditures represent cash paid for capital assets during the periods, excluding assets purchased as part of acquisitions. Pulp & Paper includes capital expenditures that were partially financed by government grants.

Geographic information.

Canfor operates manufacturing facilities in Canada, the US and Europe. Canfor'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 and assets are based on the geographical location of the assets.

	3 months ended June 30,				6 months ended June 30,			
(millions of Canadian dollars, unaudited)		**2026**		2025		**2026**		2025
Sales by location of customer								
Canada	**8 %**	**$ 125.9**	10 %	$ 143.8	**9 %**	**$ 266.4**	11 %	$ 294.3
United States	**46 %**	**708.6**	48 %	662.6	**45 %**	**1,293.8**	47 %	1,322.5
Europe	**31 %**	**467.6**	26 %	352.4	**30 %**	**870.6**	27 %	741.7
Asia	**10 %**	**146.5**	12 %	162.8	**11 %**	**305.8**	12 %	340.6
Other	**5 %**	**77.8**	4 %	57.8	**5 %**	**148.9**	3 %	97.8
	100 %	**$ 1,526.4**	100 %	$ 1,379.4	**100 %**	**$ 2,885.5**	100 %	$ 2,796.9

13. Duties and Tariffs

In 2016, a petition was filed by the US Lumber Coalition to the US DOC and the US International Trade Commission ("ITC") alleging certain subsidies and administered fees below the fair market value of timber that favour Canadian lumber producers. Canfor was selected by the DOC as a "mandatory respondent" to the countervailing and anti-dumping investigations and is subject to company specific CVD and ADD rates. As a result of the DOC's investigation, CVD and ADD were imposed on the Company's Canadian lumber exports to the United States beginning in 2017.

Also, effective October 2025, the US DOC began applying a 10% tariff on softwood lumber imports under Section 232 of the Trade Expansion Act. As at June 30, 2026, Canfor has paid cumulative cash deposits of $1,199.2 million, excluding Section 232 tariff payments of $23.7 million.

Canfor and other Canadian forest product companies, the Federal Government and Canadian Provincial Governments continue to categorically deny the US allegations and strongly disagree with the current countervailing and anti-dumping determinations made by the DOC. Canada has proceeded with legal challenges under the Canada-United States-Mexico ("CUSMA") Agreement and through the World Trade Organization, where Canadian litigation has proven successful in the past.

On January 1, 2026, the Company moved into the ninth period of review ("POR9"), which is based on sales and cost data in 2026. Consistent with prior periods of review, the Company was unable to estimate an applicable CVD rate separate from the DOC's cash deposit rate. As a result, CVD was expensed at a rate of 12.12% and ADD was expensed at an estimated accrual rate of 8.00%. This resulted in a combined accounting rate of 20.12% for the first and second quarters of 2026 (versus the DOC's combined cash deposit rate of 47.59%).

In April 2026, the DOC announced the preliminary CVD and ADD results for the seventh period of review ("POR7") which indicated that the Company's preliminary CVD rate for 2024 was 14.17% and ADD was 16.85%, resulting in a combined rate of 31.02%. In June 2026 the preliminary CVD rate was updated to be 14.52%, resulting in a combined rate of 31.37%. Upon finalization of these rates (anticipated in the fourth quarter of 2026), an expense estimated at $47.7 million (US$33.6 million), will be recognized in the Company's condensed consolidated interim financial statements to reflect the difference between the combined accrual rate of 23.36% from January to July 2024 and 28.14% from August to December 2024 and the DOC rate for POR7 (currently estimated to be 31.37% based on the preliminary determination). In addition, once final, the Company's current combined cash deposit rate of 47.59% will be reset to the DOC rates for POR7 (currently estimated to be 31.37% based on preliminary determination).

Despite cash deposits being made in 2026 at rates determined by the DOC, the final liability associated with duties is not determined until the completion of administrative reviews performed by the DOC for these periods.

Summary

For accounting purposes, a net duty deposits recoverable of $56.8 million is included on the Company's condensed consolidated interim balance sheet (Note 5) as at June 30, 2026 (December 31, 2025 – $27.6 million) reflecting differences between the cash deposit rates and the Company's combined accrual rates for each period of review, including a net interest receivable balance of $22.1 million (December 31, 2025 – $30.7 million).

Included in the net interest receivable balance of $22.1 million is $34.7 million in interest receivable from the US government on certain CVD and ADD related accounts receivable balances secured under the terms of the duty deposits loan related to the period from September 27, 2024 to June 30, 2026 and payable to Farallon.

In June 2026, the Company received $7.8 million (US$5.6 million) from the US DOC as a partial refund of ADD for POR1 related to certain exports between August and December of 2017. These funds were in turn remitted to Farallon in accordance with the duty loan agreement.

For the three and six months ended June 30, 2026, the Company recorded a net duties and tariff expense of $34.2 million and $62.3 million, respectively, (three and six months ended June 30, 2025 – net duties expense of $18.6 million and $41.4 million, respectively), comprised of the following:

(millions of Canadian dollars, unaudited)	3 months ended June 30, 2026	6 months ended June 30, 2026
Cash deposits paid	$ 48.3	$ 88.5
Duty recovery attributable to the current period - POR9[5]	(24.2)	(44.4)
Section 232 tariffs	10.1	18.2
Duties and tariff expense, net	$ 34.2	$ 62.3

[5]. Reflects Canfor's combined accrual rate of 20.12% compared to the DOC's deposit rate of 47.59% for POR9.

Canfor will continue to reassess the ADD accrual estimate at each quarter-end, applying the DOC's methodology to updated sales and cost data as this becomes available. Quarterly revisions to the ADD rate may result in a material adjustment to the condensed consolidated interim statement of income (loss) while the Administrative Reviews are taking place. Changes to the DOC's existing CVD and ADD rates during each administrative review may also result in material adjustments to the condensed consolidated interim statement of income (loss).

14. Restructuring Costs

On May 18, 2026, the Company announced its decision to permanently close its Urshult and Orrefors facilities in Sweden. As a result of these closures, the Company recognized restructuring costs of $8.8 million (SEK 59.0 million) in the condensed consolidated interim statement of income (loss) for the three and six months ended June 30, 2026 (three and six months ended June 30, 2025 - $6.7 million related to the closure of the Darlington and Estill sawmills).

In addition, as a result of the aforementioned closures, asset write-down and impairment charges totaling $13.7 million (SEK 93.0 million) were recognized in the Company's condensed consolidated interim statement of income (loss) for the three and six months ended June 30, 2026, as a reduction to the carrying value of the Company's property, plant and equipment (three and six months ended June 30, 2025 - $188.6 million as a result of the Darlington and Estill closures).

15. Other Items

Also in the second quarter of 2026, the Company completed the sale of Plateau and Fort St. John sawmills and pellet plant for total proceeds of $20.5 million. As a result of these transactions, the Company recognized a gain of $11.5 million in the condensed consolidated interim statement of income (loss) for the three and six months ended June 30, 2026.

16. Subsequent Events

On June 9, 2026, the Company announced that it had entered into an agreement to purchase PinkWood Ltd. for $68.0 million, including working capital. PinkWood is located in Calgary, Alberta and is the largest producer of I-joists in Canada. The transaction closed on July 3, 2026.

On July 14, 2026, the Company announced the permanent closure of its Northwood Northern Bleached Softwood Kraft ("NBSK") pulp mill in Prince George, British Columbia. Operations are expected to cease by the end of 2026, and remove approximately 300,000 tonnes of annual NBSK production capacity.

On July 28, 2026, the Company announced the permanent closure of its Fox Creek sawmill in Fox Creek, Alberta. The facility is scheduled to wind down operations over the summer, and reduce the Company's annual lumber production capacity by approximately 120 million board feet.

The Company is currently assessing the financial implications of these closures. Based on preliminary estimates, the Company anticipates to record restructuring costs of approximately $30.0 million in its pulp segment, as well as an asset write-down and impairment charge of approximately $35.0 million and restructuring costs of approximately $3.0 million in its lumber segment.

As these decisions were made subsequent to June 30, 2026, in accordance with IFRS, no amounts have been recognized in the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2026. As a result, these estimated costs are anticipated to be recognized in the third quarter of 2026.