Canfor Corporation.

2024 – Management's discussion & analysis

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This Management's Discussion and Analysis ("MD&A") provides a review of Canfor Corporation's ("Canfor" or "the Company") financial performance for the for the year ended December 31, 2024 relative to the year ended December 31, 2023, and the financial position of the Company at December 31, 2024. It should be read in conjunction with Canfor's Annual Information Form and its audited consolidated financial statements and accompanying notes for the years ended December 31, 2024 and 2023 (available at www.canfor.com). The financial information contained in this MD&A has been prepared in accordance with IFRS Accounting 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 and One-Time Items, Adjusted Operating Income (Loss) and Adjusted Operating Income (Loss) before One-Time Items, 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 "Overview of Consolidated Results – 2024 Compared to 2023") 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 and One-Time Items, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) before One-Time Items, 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 and One-Time Items, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) before One-Time Items, 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 and One-Time Items, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) before One-Time Items 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 MD&A. Throughout this discussion, reference is made to the current quarter, which refers to the results for the fourth quarter of 2024.

Also in this MD&A, reference is made to net debt (cash), net debt (cash) 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 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 March 6, 2025.

Forward-looking statements.

Certain statements in this press release 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.

2024 Highlights.

2024 was a challenging year for Canfor, as the weak global lumber market conditions experienced at the end of 2023 continued through most of the current year. Despite some periods of interest rate relief, ongoing inflationary pressures and general global economic uncertainty gave rise to persistent consumer affordability concerns and relatively muted global lumber demand. For Canfor, these subdued market conditions were combined with a continually constrained fibre supply environment, particularly in British Columbia ("BC"). As a result, for 2024 overall, Canfor reported an operating loss of $942.2 million, compared to an operating loss of $531.6 million in 2023.

In recent years, industry-wide rationalization in BC has removed approximately 5 billion board feet of annual Western Spruce/Pine/Fir ("Western SPF") production capacity, as a result of reductions in BC's annual allowable cut ("AAC"). The reduced AAC is a product of Mountain Pine Beetle ("MPB") infestation, losses resulting from wildfire events, as well as other pressures on BC's Timber Harvesting Land Base, including BC's old-growth forest deferrals and other BC Government policies and legislative initiatives. All of these factors have resulted in significant uncertainty for the forestry industry in BC.

Over the same period of time, the Company has taken a number of actions in response to these significant fibre constraints, including securing access to high-quality fibre, modifying manufacturing and harvesting operations to optimize the harvest of green, non-pine leading stands, as well as making rationalization decisions with respect to its BC operating footprint. Most notably, the Company permanently closed its Chetwynd sawmill and pellet plant in 2023, and in 2024, suspended its planned investment in its Houston sawmill and permanently closed its Polar and Plateau sawmills as well as its Fort St. John sawmill and pellet plant facility. Canfor Pulp Products Inc. ("CPPI") permanently closed the pulp line at its Prince George pulp and paper mill ("PG") in early 2023, and in 2024, indefinitely curtailed one production line at its Northwood Northern Bleached Softwood Kraft ("NBSK") pulp mill ("Northwood").

Recognizing these permanent closures as well as the ongoing challenges to the businesses posed by the lack of economically available fibre in BC, weak global lumber demand and increased export tariffs to the United States ("US"), the Company recorded asset write-downs and impairment charges in 2024 totaling $342.9 million, consisting of $131.9 million in the lumber segment and $211.0 million in the pulp and paper segment, as well as $76.7 million in restructuring-related costs over the same period.

In the US South, the Company acquired the El Dorado lumber manufacturing facility in Arkansas from Resolute Forest Products Inc., an affiliate of Domtar Corporation ("Resolute"), and completed the construction on two significant projects in Urbana, Arkansas, and Axis, Alabama in 2024. In addition, as part of the Company's strategy to optimize its footprint in Alabama, it also permanently closed its Jackson and Mobile sawmills. Lastly, in response to the weak lumber market conditions in the current year, especially for Southern Yellow Pine ("SYP"), the Company indefinitely curtailed one shift at its Darlington facility in South Carolina, and reduced operating hours at its Estill, South Carolina and Moultrie, Georgia locations.

After taking account of adjusting items, including the aforementioned $342.9 million in asset write-down and impairment charges, $76.7 million in restructuring costs, as well as other one-time items in 2024, as outlined in the 'Selected financial information and statistics, including adjusting and one-time items' table, the Company's adjusted operating loss was $466.6 million for the current year, compared to adjusted operating loss of $619.9 million for the prior year.

2024 Lumber segment highlights.

For the lumber segment, the operating loss for 2024 was $660.4 million, compared to the previous year's operating loss of $348.7 million. After taking account of adjustments and other one-time items, totaling $261.9 million, the adjusted operating loss for 2024 was $398.5 million compared to a similarly adjusted operating loss of $434.6 million in 2023.

Improved adjusted lumber segment results in 2024 were predominantly driven by the Company's Western Canadian operations, moderated to a degree, by a decline in results from the US South, and to a much lesser extent, Europe. In Western Canada, the uplift in results in the current year was primarily a result of a US$17 per Mfbm, or 4%, increase in the average North American Random Lengths Western SPF 2x4 #2&Btr price, combined with the benefit of the changes in the Company's operating footprint in BC, resulting from mill closures and curtailments over the last two years. Lower earnings in the US South in 2024 were principally tied to the 16% year-over-year decline in both the average SYP East 2x4 #2 and 2x6 #2 prices, combined with lower production and shipments as a result of mill closures and market-related downtime. While in Europe, results in the current year were largely impacted by the ongoing log supply constraints and rising fibre costs in the region.

North American lumber market conditions were under pressure for most of 2024, while lower interest rates year-over-year provided some relief, affordability concerns persisted, and when combined with broader general economic uncertainty, led to a decline in residential construction activity in the current year. In contrast, the repair and remodeling sector remained relatively stable year-over-year, principally supported by an aging housing stock across North America. Overall, weaker demand put downward pressure on North American benchmark lumber prices throughout most of 2024, especially SYP, which experienced a significant decline compared to 2023. In Western Canada, however, market-driven supply reductions, including temporary curtailments and permanent mill closures, led to periods of improved pricing, resulting in an overall increase in Western SPF prices compared to the previous year. Offshore lumber markets in Asia remained relatively weak throughout 2024, broadly consistent with 2023. While in Europe, lumber markets were relatively subdued in the current year, as affordability concerns continued to weigh on residential construction activity. This weak European demand was met with ongoing log supply constraints in the region, which resulted in periods of sawmill downtime throughout the year and resulted in a slight improvement in European lumber pricing year-over-year.

2024 Pulp and paper segment highlights.

For the pulp and paper segment, 2024 was another challenging year, as relatively weak global pulp market fundamentals were combined with operational challenges driven by persistent shortages in the availability of economic fibre in northern BC. For 2024 overall, Canfor Pulp reported an operating loss of $226.5 million, compared to an operating loss of $127.5 million in 2023.

After taking account of adjusting items, including the aforementioned 2024 asset write-down and impairment charge, CPPI's adjusted operating loss was $15.5 million for the current year, compared to an adjusted operating loss of $129.9 million for the prior year. These results largely reflected moderately higher average NBSK pulp unit sales realizations, primarily driven by a 4% uplift in US-dollar NBSK pulp list prices to China, combined with a 1 cent, or 1%, weaker Canadian dollar. Operationally, current year results were impacted by reduced pulp production and shipments associated with the Northwood operational change that took effect in the latter part of the year. However, a moderate improvement in pulp unit manufacturing costs in the current year, principally associated with lower energy and maintenance spend, as well as a significant decline in fibre costs, largely correlated with a reduction in the volume of high-cost chips purchased and consumed following the closure of PG pulp mill in 2023, helped to mitigate the impact of the Northwood curtailment on CPPI's 2024 results.

While global pulp market conditions were relatively subdued early in 2024, market fundamentals experienced an uptick mid-year, as unplanned global supply disruptions led to positive pricing momentum, particularly from China. With the commencement of additional hardwood capacity, however, global pulp producer inventories climbed to well above the balanced range, and purchasing activity declined. As a result, prices to China, the world's largest consumer of softwood pulp, dropped from a high of US$825 per tonne in May to a low of US$750 per tonne in August. Later in the year, as global producer inventories began to reduce, global pulp pricing saw some modest upward momentum, with China pulp list prices finishing the year at US$770 per tonne. For the 2024 year as a whole, NBSK pulp list prices to China averaged US$774 per tonne, an increase of US$27 per tonne, or 4%, from the average price in 2023.

CPPI will continue to closely monitor the direct and indirect impacts associated with the constraints on economic fibre, especially in the near-term. If the availability of economically viable fibre within BC is further reduced, CPPI's production, shipments and cost structure will be further affected. These factors could impact CPPI's operating plan, liquidity, cash flows and the valuation of long-lived assets.

Company overview.

Canfor is a global leader in manufacturing high-value, low-carbon forest products, including dimension and specialty lumber, engineered wood products, pulp and paper, wood pellets, and green energy. Headquartered in Vancouver, BC, Canfor produces renewable products from sustainably managed forests, at around 50 facilities across its diversified operating platform in Canada, the US, and Europe. The Company has a 77% interest in Vida AB ("Vida"), one of Sweden's largest sawmilling companies, and also owns a 54.8% interest in CPPI. As of December 31, 2024, Canfor employed 6,634 people, of which 799 were employed by CPPI.

Significant changes to the Company's business in 2024 and early in 2025 include the following:

- On February 7, 2024, CPPI announced the sale of its Taylor Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") mill site for $7.0 million. The transaction closed on March 15, 2024.
- On April 10, 2024, the Company announced that it will optimize its footprint in southern Alabama by permanently closing its Jackson facility (effective June 2024) and expanding production at its Fulton facility with a second shift. These steps, together with the construction of the greenfield sawmill in Axis, Alabama, will grow the Company's regional manufacturing platform by 100 million board feet of production capacity and consolidate operations at modern facilities that are positioned for the long-term.
- On May 1, 2024, the Company announced that it had entered into an agreement with Resolute Forest Products Inc., an affiliate of Domtar Corporation ("Resolute"), to purchase its El Dorado lumber manufacturing facility located in Union County, Arkansas. The facility, named internally as Iron Mountain after a nearby roadway, produces dimensional lumber and specialty wood products and is expected to increase Canfor's annual Southern Yellow Pine ("SYP") lumber capacity by 175 million board feet after an anticipated $67.5 million (US$50 million) of planned upgrades.
- On May 9, 2024, after a thorough analysis of the persistent shortage of economically available timber and challenging operating conditions in BC, the Company announced the permanent closure of its Polar sawmill in Bear Lake, BC, and the suspension of its planned reinvestment in Houston, BC. On the same date, CPPI announced the indefinite curtailment of one production line at its Northwood pulp mill effective August 2024, also due to the decline in availability of economic fibre in the northern BC region. The curtailment resulted in an annual reduction of approximately 300,000 tonnes of market kraft pulp.

- On August 9, 2024, the Company completed the sale of its Chetwynd sawmill lands and equipment to a third party for proceeds of $5.0 million
- On September 4, 2024, the Company announced the indefinite curtailment of one shift at its Darlington facility in South Carolina, and reduced operating hours at its Estill, South Carolina and Moultrie, Georgia locations due to persistent weak lumber markets. These changes reduced lumber production by approximately 215 million board feet on an annualized basis.
- Also, on September 4, 2024, the Company announced the permanent closure of its Plateau sawmill, as well as its Fort St. John sawmill and pellet plant facility located in northern BC, as a result of the persistent challenges accessing economic fibre in the region, ongoing financial losses, weak lumber markets and increased US tariffs. These closures will reduce Western SPF annual production by approximately 670 million board feet.
- On September 9, 2024, the Company completed its previously announced sale of its Mackenzie sawmill assets to Peak Mackenzie, and sale of the forest tenure in the Mackenzie region to the McLeod Lake Indian Band and Tsay Keh Dene Nation for total proceeds of $66.5 million.
- On September 27, 2024, the Company announced that it entered into an approximately $424.9 million (US$315.0 million) loan agreement with an affiliate of Farallon Capital Management, L.L.C. ("Farallon") and received all advances thereunder, totaling approximately $313.8 million (US$232.4 million). The loan is secured by certain accounts receivable related to countervailing ("CVD") and anti-dumping duties ("ADD") paid to the US government. The borrowings under the loan have terms of four and eight years, and each can be extended at the Company's option for two additional ten-year terms. The Company anticipates the repayment of the loan, including all interest and principal payments, will be met by refunds and interest receivable out of duty refunds from the US government.
- On December 10, 2024, the Company announced the acquisition of an additional 7% of the outstanding shares of Vida for total consideration of $118.3 million (SEK 916.6 million). The shares were acquired from certain minority shareholders who utilized their option privileges outlined in the February 2019 agreement, through which Canfor had initially purchased 70% of Vida. As a result of this transaction, Canfor's ownership in Vida increased from 70% to 77%.

Lumber.

As at December 31, 2024, Canfor's lumber operations had an annual production capacity of approximately 6.0 billion board feet. The majority of lumber produced by Canfor from its facilities is construction and high-value specialty grade dimension lumber that ranges in size from one by three inches to two by twelve inches and in lengths from six to twenty-six feet. A significant and increasing proportion of Canfor's lumber production is comprised of specialty products that command premium prices and high-value products, including Square Edge lumber for the North American market, J-grade lumber for the Japanese market, and machine stress rated ("MSR") lumber used in engineered applications such as roof trusses and floor joists. As a result of its acquisitions, Canfor has expanded its product offering to include high-value engineered wood products, higher-grade MSR lumber, premium one-inch boards, as well as an array of custom specialty products, including strength-rated trusses, beams, and tongue-and-groove timber.

Canfor's North American lumber operations also include one finger-joint plant, two glulam plants, a specialty facility, one whole log chipping plant, and a trucking division. Canfor's North American lumber business segment also includes a 60% interest in Houston Pellet Inc., which has an annual capacity of approximately 200,000 tonnes of wood pellets. Canfor's European lumber operation also includes its 77% interest in Vida's ten value-added facilities (including the manufacturing and selling of wood packaging, modular housing, industrial products and energy) as well as a treatment plant.

As at December 31, 2024, Canfor held approximately 8.4 million cubic metres of annual harvesting rights for its solid wood operations under various forest tenures located in the interior region of BC and northern Alberta and harvests logs from those tenures to supply its Western Canadian lumber operations. Any mill requirements shortfalls are made up of wood purchased from other tenure holders in those areas. The wood fibre requirements in the US and Europe are met through open market purchases, substantially from private timberland owners.

Canfor markets lumber products throughout North America and overseas through its sales offices in Canada, the US, Japan, South Korea, Sweden, the UK, Denmark, the Netherlands, and Australia. In addition to its production, Canfor also markets lumber produced externally to complement its product line. While a significant proportion of Canfor's products are sold to markets in the US, shipments into Europe have increased following the acquisition of Vida. In contrast, volumes to other offshore markets remain steady. The Company transports substantially all lumber shipped domestically (in the US, Canada, and Sweden) by truck and rail, while the vast majority of products sold offshore are transported by container ship and breakbulk.

Pulp and paper.

During 2024, Canfor's pulp and paper segment was comprised of two NBSK pulp mills and one NBSK paper mill located in Prince George, BC, all of which are owned by CPPI. As at December 31, 2024, CPPI produces NBSK pulp and specialty paper. NBSK is primarily a bleached product, although unbleached and semi-bleached grades were also produced by CPPI.

As at December 31, 2024, CPPI had an annual production capacity of approximately 780,000 tonnes of northern softwood market kraft pulp (including 300,000 tonnes of annual production capacity that, effective August 2024, has been indefinitely curtailed), the majority of which is bleached to become NBSK pulp, and approximately 140,000 tonnes of kraft paper.

Canfor supplies CPPI with residual wood chips and hog fuel (principally bark) produced at certain, specified sawmills. Prices paid by CPPI for residual wood chips are based on a pricing formula that results in CPPI paying market prices for wood chips, subject to adjustments to the formula to reflect market conditions and other factors such as wood chip quality. CPPI also has fibre supply agreements with third parties to supplement its supply of wood chips and hog fuel.

Business strategy.

Canfor's overall business strategy and purpose is to be a global leader in supplying high-value, low-carbon forest products, including dimension and specialty lumber, engineered wood products, pulp and paper, wood pellets, and green energy to high-value customers, accomplished by:

- Attaining world-class safety performance;
- Achieving top-quartile margin performance while producing high-value products and maximizing the value from all available fibre sources;
- Implementing a sustainability strategy aimed at helping to protect our planet, support our people and communities, and producing forest and pulp and paper products that are an important part of a low-carbon economy;
- Growing an enterprise-wide culture of innovation, inclusion, diversity, respect, and engagement by attracting, retaining, and developing our employees;
- Expanding geographical markets, increasing market share of value-added products, and building strong long-term partnerships with valued customers;
- Attaining world-class supply chain performance and providing excellence in customer service; and
- Focusing on an efficient allocation of capital and deployment of resources to sustain top-quartile operational performance, capitalizing on attractive growth opportunities.

Leadership transition.

Effective January 1, 2025, Susan Yurkovich succeeded Don Kayne as President and Chief Executive Officer of Canfor and joined the Board of Directors for Canfor and CPPI.

Overview of consolidated results – 2024 compared to 2023.

Selected financial information and statistics, including adjusting and one-time items.

(millions of Canadian dollars, except for per share amounts)		2024		2023
Sales	**$**	**5,252.8**	$	5,426.6
Reported operating loss before amortization, asset write-down and impairment[7]	**$**	**(170.2)**	$	(111.2)
Reported operating loss	**$**	**(942.2)**	$	(531.6)
Asset write-down and impairment – lumber segment	**$**	**131.9**	$	-
Asset write-down and impairment – pulp and paper segment	**$**	**211.0**	$	-
Inventory write-down (recovery), net[2]	**$**	**(29.7)**	$	(57.2)
Adjusted operating loss[1]	**$**	**(629.0)**	$	(588.8)
One-time items – lumber segment[1]:	**$**		$	
Restructuring and closure costs[3]	**$**	**74.0**	$	12.2
Gain on sale of assets, net[4]	**$**	**(34.9)**	$	-
Duty expense (recovery) related to finalized rates[5]	**$**	**67.2**	$	(43.3)
Duty expense related to refined fair value measurement[6]	**$**	**53.4**	$	-
One-time items – corporate restructuring costs[1,3]	**$**	**2.7**	$	-
Adjusted operating loss before one-time items[1]	**$**	**(466.6)**	$	(619.9)
Amortization[7]	**$**	**429.1**	$	420.4
Adjusted operating loss before amortization and one-time items[1,7]	**$**	**(37.5)**	$	(199.5)
Net loss	**$**	**(736.2)**	$	(348.5)
Net loss attributable to equity shareholders of the Company	**$**	**(669.0)**	$	(326.1)
Net loss per share attributable to equity shareholders of the Company, basic and diluted	**$**	**(5.64)**	$	(2.71)
ROIC – Consolidated[1]		**(20.1)%**		(11.4)%
Average exchange rate (US$ per Cdn$1.00)[8]	**$**	**0.730**	$	0.741
Average exchange rate (SEK per Cdn$1.00)[8]	**$**	**7.715**	$	7.856

1. Adjusted operating loss as well as adjusting and one-time items and consolidated ROIC are non-IFRS financial measures. Refer to the "Non-IFRS financial measures" section for further details.

2. For the lumber segment, a $29.7 million net reversal of a previously recognized inventory write-down was recorded in 2024 (2023 – $54.8 million net reversal of a previously recognized inventory write-down). For the pulp and paper segment, no inventory valuation adjustment was recognized in 2024 (2023 – $2.4 million net reversal of a previously recognized inventory write-down).

3. Restructuring and closure costs of $76.7 million were recognized in 2024 ($74.0 million in the lumber segment and $2.7 million in the unallocated segment). These costs were largely related to the permanent closure in BC of the Polar and Plateau sawmills, as well as the Fort St. John sawmill and pellet plant and the temporary closure of the Houston sawmill. These costs also include the permanent closure of the Jackson and Mobile sawmills in the US South. (2023 – $12.2 million restructuring and closure costs were recognized in the lumber segment related to the permanent closure of Chetwynd sawmill and pellet plants and temporary closure Houston sawmill).

4. On September 9, 2024, the Company completed the sale of its remaining Mackenzie sawmill assets and associated forest tenure to the McLeod Lake Indian Band and Tsay Keh Dene Nation for total proceeds of $66.5 million. As a result of this transaction, as well as other asset sales in the year, a net gain on sale of $34.9 million was recognized in 2024.

5. A duty expense of $67.2 million (US$48.6 million) was recognized in 2024 following the finalization of CVD and ADD rates applicable to the fifth period of review ("POR5") (2023 - $43.3 million net duty recovery related to final rates for the fourth period of review ("POR4")).

6. In 2024, the Company refined its estimate of the fair value measurement of net duty deposits recoverable. In accordance with IFRS Accounting Standards, this change in accounting estimate was applied on a prospective basis.

7. Amortization includes amortization of certain capitalized major maintenance costs.

8. Source – Bank of Canada (monthly average rate for the period).

Selected cash flow information.

(millions of Canadian dollars)		2024		2023
Operating loss by segment:				
Lumber	$	(660.4)	$	(348.7)
Pulp and paper	$	(226.5)	$	(127.5)
Unallocated and other	$	(55.3)	$	(55.4)
Total operating loss	$	(942.2)	$	(531.6)
Add: Amortization[9]	$	429.1	$	420.4
Add: Asset write-downs and impairments	$	342.9	$	-
Total operating loss before amortization, asset write-downs and impairments	$	(170.2)	$	(111.2)
Add (deduct):				
Non-cash working capital movements, net	$	(3.5)	$	166.1
Defined benefit plan contributions, net	$	(11.5)	$	(24.2)
Income taxes received (paid), net	$	75.0	$	(33.8)
Duties paid less than accruals[10]	$	194.7	$	100.7
Other operating cash flows, net[11]	$	89.7	$	57.1
Cash from operating activities	$	174.2	$	154.7
Add (deduct):				
Capital additions, net	$	(527.1)	$	(587.0)
Proceeds from sale of property, plant and equipment and intangible assets	$	72.6	$	9.1
Proceeds from duty deposits loan	$	313.8	$	-
Conversion and changes in term debt, net	$	(45.0)	$	(96.1)
Acquisition of El Dorado sawmill	$	(100.6)	$	-
Partial acquisition of Vida non-controlling interest	$	(118.3)	$	-
Finance expenses paid	$	(34.8)	$	(33.6)
Share purchases	$	(9.0)	$	(44.3)
Purchase of long-term investments, net	$	(16.5)	$	(59.4)
Distributions paid to non-controlling interests, net	$	(65.4)	$	(62.3)
Foreign exchange gain (loss) on cash and cash equivalents	$	5.8	$	(6.7)
Other, net[11]	$	(14.0)	$	1.5
Change in cash / operating loans	$	(364.3)	$	(724.1)

9. Amortization includes amortization of certain capitalized major maintenance costs.
10. Adjusted to true-up ADD deposits to the Company's current accrual rates.
11. Further information on cash flows may be found in the Company's annual consolidated financial statements.

Analysis of specific items affecting comparability of net Income (loss).

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except for per share amounts)		2024		2023
Shareholder net loss, as reported	$	(669.0)	$	(326.1)
Foreign exchange (gain) loss on term debt	$	3.5	$	(6.0)
Foreign exchange loss on duty deposits loan	$	21.3	$	-
Loss (gain) on derivative financial instruments	$	6.9	$	(3.7)
Asset write-downs and impairments	$	181.9	$	-
Net impact of above items	$	213.6	$	(9.7)
Adjusted shareholder net loss[12]	$	(455.4)	$	(335.8)
Shareholder net loss per share (EPS), as reported	$	(5.64)	$	(2.71)
Net impact of above items per share	$	1.80	$	(0.08)
Adjusted shareholder net loss per share[12]	$	(3.84)	$	(2.79)

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

Operating results by business segment – 2024 compared to 2023.

The following discussion of Canfor's operating results relates to the operating segments and the non-segmented items as per the Segment Information note in the Company's consolidated financial statements. Canfor's operations include the Lumber and Pulp and paper segments.

Lumber.

Selected financial information and statistics – lumber.

(millions of Canadian dollars, unless otherwise noted)		2024		2023
Sales[14]	$	4,454.3	$	4,551.1
Reported operating loss[14]	$	(660.4)	$	(348.7)
Adjusting and one-time items[13]	$	261.9	$	(85.9)
Adjusted operating loss before one-time items[13]	$	(398.5)	$	(434.6)
Amortization	$	367.1	$	332.7
Adjusted operating loss before amortization and one-time items[13,14]	$	(31.4)	$	(101.9)
Capital expenditures (before acquisitions)	$	472.1	$	510.4
Average WSPF 2x4 #2&Btr lumber price in US$[15]	$	408	$	391
Average WSPF 2x4 #2&Btr lumber price in Cdn$[15,17]	$	559	$	528
Average SYP 2x4 #2 lumber price in US$[16]	$	394	$	468
Average SYP 2x4 #2 lumber price in Cdn$[16,17]	$	540	$	632
Average SYP 2x6 #2 lumber price in US$[16]	$	325	$	386
Average SYP 2x6 #2 lumber price in Cdn$[16,17]	$	445	$	521
US housing starts (thousand units SAAR)[18]		1,365		1,421
Production – WSPF lumber (MMfbm)[19]		1,874		2,071
Production – SYP lumber (MMfbm)[19]		1,683		1,727
Production – European lumber (MMfbm)[14,19]		1,391		1,319
Shipments – WSPF lumber (MMfbm)[20]		1,951		2,119
Shipments – SYP lumber (MMfbm)[20]		1,691		1,716
Shipments – European lumber (MMfbm)[20]		1,613		1,532

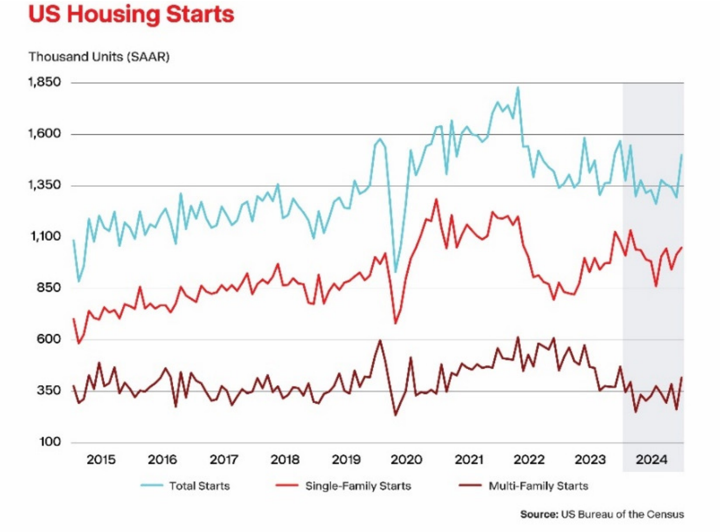
13. Adjusted operating loss as well as adjusting and one-time items referenced throughout this MD&A are defined as non-IFRS financial measures. Refer to the "Selected financial information and statistics, including adjusting and one-time items" and "Non-IFRS financial measures" section for further details.
14. 2024 includes sales of $1,440.5 million, operating income of $51.8 million, and operating income before amortization of $125.8 million from European operations (2023 – sales of $1,333.2 million, operating income of $80.3 million, and operating income before amortization of $149.1 million). Operating income from the European operations in 2024 includes $37.4 million (2023 – $36.7 million) in incremental amortization and other expenses driven by the purchase price allocation at the acquisition date. Sawmill production from European operations was 1,610 MMfbm in 2024 (2023 – 1,478 MMfbm).
15. Western Spruce/Pine/Fir, per thousand board feet (Source – Random Lengths Publications, Inc.).
16. Southern Yellow Pine, Eastside, per thousand board feet (Source – Random Lengths Publications, Inc.).
17. Average lumber prices in Cdn$ 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.
18. Source – US Census Bureau, seasonally adjusted annual rate ("SAAR").
19. Planer production, excluding production of trim blocks.
20. 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.

As mentioned, the weak global lumber market conditions and pricing experienced at the end of 2023 persisted throughout most of 2024. In North American, while lower interest rates year-over-year provided some relief, affordability concerns persisted, and when combined with broader general economic uncertainty, led to a decline in residential construction activity in the current year. In contrast, the repair and remodeling sector remained relatively stable year-over-year, principally supported by an aging housing stock across North America. Overall, weaker demand put downward pressure on North American benchmark lumber prices throughout most of 2024, especially SYP, which experienced a significant decline compared to 2023. In Western Canada, however, market-driven supply reductions, including temporary curtailments and permanent mill closures, led to periods of improved pricing, resulting in an overall increase in Western SPF prices compared to the previous year.

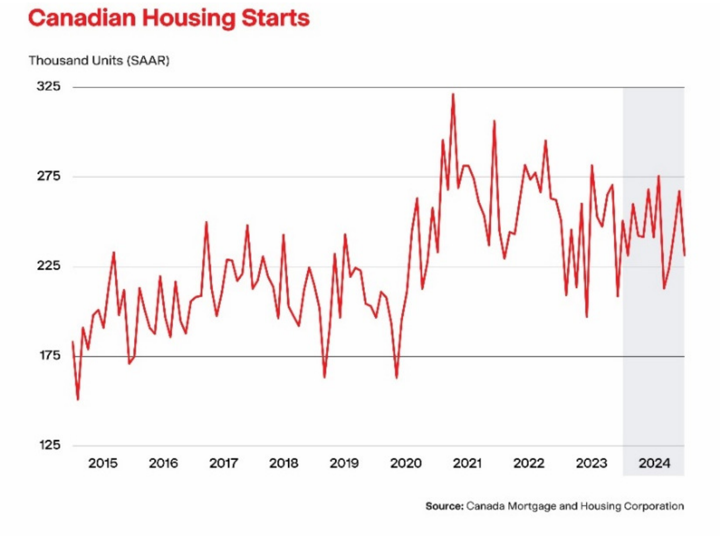
US housing starts, on a seasonally adjusted basis, averaged 1,365,000 units[21] in 2024, a decrease of 4% from 2023 (Chart 1). This decrease was primarily driven by multi-family starts, which averaged 405,000 units[21] in 2024, down 27% from the prior year, due to an accumulated surplus of multi-family homes under construction, particularly in the US South. In contrast, single-family starts, which consume approximately three times as much lumber as multi-family starts, averaged 1,010,000 units[21], up 6% from 2023.

Chart 1



In Canada, the housing market experienced similar trends compared to the prior year, with a seasonally adjusted annual rate of 245,000 units[22], up 1% from 2023 (Chart 2), with multi-family starts making up 74% of overall starts in 2024 (2023 – 75%).

Chart 2

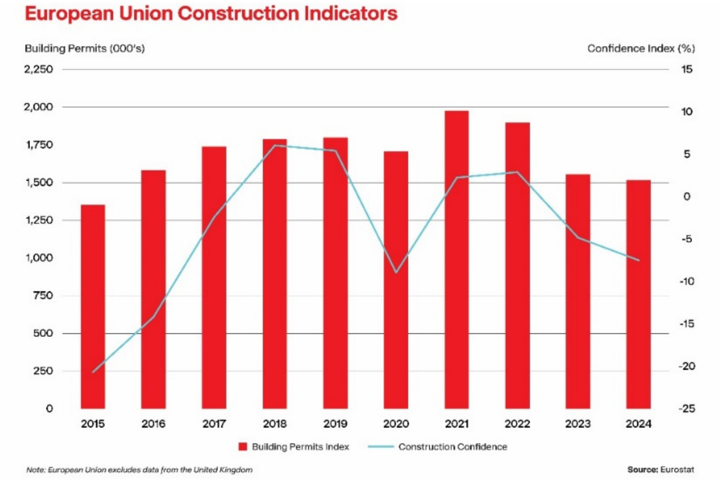


Offshore lumber markets in Asia remained relatively weak throughout 2024, broadly consistent with 2023. In China, demand remained at low levels primarily driven by a depressed real estate sector and limited impact from government stimulus measures implemented in the prior year. Pricing reflected this weak demand but saw some pockets of improvement as inventory levels fluctuated throughout the year. In Japan, demand improved modestly in the multi-family rental housing and non-residential sectors in 2024. These factors, along with an increased share of 2x4 housing construction, helped to mitigate the overall decline in the single-family sector, keeping prices in the region broadly in line with the previous year.

21. US Bureau of the Census
22. Canada Mortgage and Housing Corporation ("CMHC")

Europe's lumber markets were relatively subdued in 2024, with affordability concerns continuing to weigh on residential construction activity[23] (Chart 3). In the first half of the year, steady demand in the repair and remodeling sector led to a slight uptick in pricing, however, through the latter half of 2024, demand in this sector declined. For 2024 overall, weak European demand was met with ongoing log supply constraints in the region, which resulted in periods of sawmill downtime throughout the year. This supply pressure did, however, give rise to slight improvement in European lumber pricing year-over-year.

Chart 3



23. Eurostat

Sales.

Revenues for the lumber segment were $4.5 billion for 2024, down 2% from $4.6 billion in 2023. This decline was primarily driven by a 5% drop in North American shipments, most notably in Western Canada as a result of the permanent closures over the last two years, combined with a significant decline in SYP lumber benchmark pricing (Chart 4) during the current year. These factors were tempered, to a degree, by a moderate improvement in Western SPF lumber unit sales realizations year-over-year, coupled with a modest uptick in European lumber unit sales realizations.

Total lumber shipments were approximately 5.26 billion board feet for the year, down 2% from the 5.37 billion board feet shipped in the previous year, largely associated with a 3% decrease in production volumes over the same period, particularly in Western Canada.

The average North American Random Lengths Western SPF 2x4 #2&Btr price began the year at US$445 per Mfbm, experienced a slight price appreciation towards the end of the first quarter, then declined throughout most of the year before seeing an uptick in the fourth quarter, ending 2024 at US$438 per Mfbm. For the year overall, the Western SPF 2x4 #2&Btr price averaged US$408 per Mfbm, an increase of US$17 per Mfbm, or 4%, from 2023, with more pronounced increases experienced in most wider width Western SPF lumber products, as noted in the table below. As a result, the Company's Western SPF lumber unit sales realizations experienced a moderate increase compared to the prior year, largely reflecting the uplift in North American benchmark lumber pricing year-over-year, amplified, to a degree, by a 1 cent, or 1%, weaker Canadian dollar (versus the US-dollar).

(Average Western SPF US$ price, per thousand board feet)[24]	2024	2023	Change
2x4 #2&Btr	**$ 408**	$ 391	$ 17
2x4 #3	**$ 319**	$ 318	$ 1
2x6 #2&Btr	**$ 441**	$ 400	$ 41
2x10 #2&Btr	**$ 472**	$ 404	$ 68

24. Random Lengths Publications, Inc.

In 2024, the North American Random Lengths SYP East 2x4 #2 opened the year at US$470 per Mfbm and saw a gradual decline throughout the first half of the year. Despite a small uplift in pricing late summer to a peak of US$485 per Mfbm in October, the SYP East 2x4 #2 price declined through the latter part of the year, ending December at US$400 per Mfbm. For 2024 overall, the SYP East 2x4 #2 price averaged US$394 per Mfbm, down US$74 per Mfbm, or 16%, from 2023.

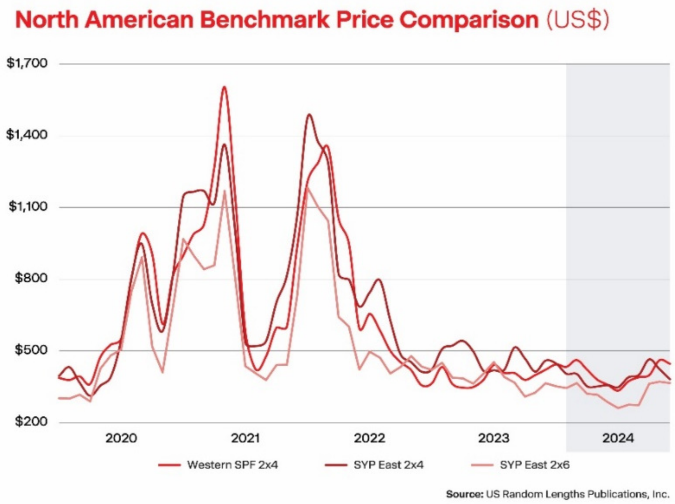
The North American Random Lengths SYP East 2x6 #2 and wider-width SYP lumber products, experienced less pronounced, but similar deteriorating trends throughout the current year as the SYP East 2x4 #2, as highlighted in the table below, with the SYP East 2x6 #2 averaging US$325 per Mfbm for 2024, a decrease of US$61 per Mfbm, or 16%, from 2023.

Consequently, the Company's average SYP lumber unit sales realizations followed the same trend as SYP benchmark lumber prices, experiencing a substantial drop compared to the previous year.

(Average SYP East US$ price, per thousand board feet)[25]		2024		2023		Change
2x4 #2	**$**	**394**	$	468	$	(74)
2x6 #2	**$**	**325**	$	386	$	(61)
2x8 #2	**$**	**323**	$	361	$	(38)
2x10 #2	**$**	**345**	$	399	$	(54)
2x12 #2	**$**	**469**	$	574	$	(105)

25. Random Lengths Publications, Inc.

Chart 4



For 2024, the Company's European lumber unit sales realizations were modestly higher than the previous year, principally related to a slight improvement in lumber market pricing in Central Europe and the UK, combined with a 2% weaker Canadian dollar (versus the Swedish Krona ("SEK")).

Other revenues for the 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 moderately higher than the prior year, substantially driven by an increase in residual fibre revenues and log sales from the Company's European operations, moderated in part, by lower engineered wood sales in the US South, and to a lesser extent, a decline in pellet sales in Western Canada.

Operations.

Total lumber production for 2024 was 4.95 billion board feet, down 3% from the prior year, as a 5% uplift in European lumber production, largely correlated with improved productivity across the region, as well as an additional shift at one of the regions' mills, was more than offset by lower North American lumber production, especially in BC. The 10% reduction in production in Western Canada was mostly tied to the full year impact of the permanent and temporary closures of the Company's Chetwynd facilities and the Houston sawmill in 2023, combined with the permanent closure of the Company's Polar sawmill in early 2024, as well as the wind down of its Plateau and Fort St. John sawmills in the latter part of the current year. In the US South, the 3% lower production year-over-year was mainly due to the permanent closure of the Company's Jackson and Mobile sawmills, combined with downtime at the Urbana sawmill to complete its planned upgrade and expansion, and to a lesser extent, market-related curtailments. These factors were mitigated, to a degree, by the acquisition of the Iron Mountain sawmill in August and the commissioning of the Company's greenfield sawmill, in Axis, Alabama, during the fourth quarter of 2024.

Lumber unit manufacturing and product costs were slightly higher than the previous year, principally reflecting an uplift in both per-unit cash conversion costs and, to a lesser extent, log costs. In Europe, rising inflationary pressures on labour, maintenance and energy costs more than outweighed the benefit of increased production volumes year-over-year, and gave rise to higher per-unit cash conversion costs in the region. In the US South, an uptick in per-unit cash conversion was correlated with increased labour and maintenance-related spend, combined with the impact of lower production volumes in 2024. These factors were partially offset by the benefit of reduced cash spend in Western Canada in the current year, mainly associated with the permanent sawmill closures in BC, combined with improved productivity in the region, largely tied to reduced market-driven curtailments (approximately 645 million board feet in 2024 versus 760 million board feet in 2023).

The slight uptick in log costs year-over-year was primarily driven by significantly higher log costs in Europe, mostly associated with ongoing log supply pressures in that region, mitigated in part, by reduced market-based stumpage costs in BC. Log costs in the US South in 2024 were broadly comparable with 2023.

Asset write-downs and impairments.

In 2024, because of the permanent closure of the Polar and Plateau sawmills as well as the Fort St. John sawmill and pellet plant facility, combined with the ongoing uncertainty with regards to the availability of economically viable timber supply within BC, an asset write-down and impairment charge of $131.9 million was recorded in 2024 in the Company's lumber segment. No asset write-down or impairment charge was recognized in the prior year. See "Critical accounting estimates – Asset write-downs and impairments" for further details.

Pulp and paper.

Selected financial information and statistics – pulp and paper.[26]

Summarized results for the pulp and paper segment for 2024 and 2023 are as follows:

(millions of Canadian dollars, unless otherwise noted)		2024		2023
Sales	$	798.6	$	875.5
Operating income (loss) before amortization, asset write-down and impairment[27]	$	43.3	$	(42.5)
Operating loss	$	(226.5)	$	(127.5)
Asset write-down and impairment	$	211.0	$	-
Inventory write-down (recovery)	$	-	$	(2.4)
Adjusted operating loss[28]	$	(15.5)	$	(129.9)
Capital expenditures	$	50.8	$	60.5
Average NBSK pulp list price delivered to China – US$[29]	$	774	$	747
Average NBSK pulp list price delivered to China – Cdn$[29]	$	1,060	$	1,008
Production – pulp (000 mt)		511		603
Production – paper (000 mt)		128		130
Shipments – pulp (000 mt)		526		609
Shipments – paper (000 mt)		130		129

26. Includes 100% of CPPI, which is consolidated in Canfor's operating results.
27. Amortization includes amortization of certain capitalized major maintenance costs.
28. Adjusted operating loss is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.
29. Per tonne, NBSK pulp list price delivered to China (Resource Information Systems, Inc.); Average NBSK pulp price delivered to China – Cdn$ calculated as average NBSK pulp 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.

As previously highlighted, the relatively weak global pulp market fundamentals experienced in the latter part of 2023 continued into the early part of 2024, principally tied to generally subdued demand, particularly from Asia. Towards the middle of the year, NBSK US-dollar pulp list prices to China, the world's largest pulp consumer, showed some upward momentum, largely driven by global pulp supply concerns, tied in part, to Finland's national transport workers' strike and further compounded by unplanned downtime at some softwood pulp production facilities. In the second half of 2024, global softwood pulp market fundamentals came under pressure, however, as the traditionally slower summer season was combined with the introduction of additional global hardwood capacity, which gave rise to a notable uplift in global pulp producer inventory levels. Towards the end of the year, as global producer inventories returned to more normalized levels and demand from China slowly improved, global pulp pricing experienced some positive momentum.

As a result of the aforementioned factors, US-dollar NBSK pulp list prices to China began the 2024 year at US$730 per tonne, peaked in May at US$825 per tonne and declined to US$750 per tonne in August. As global pulp market fundamentals, and therefore pricing, slowly improved in the latter part of the year, China pulp list prices ended the year at US$770 per tonne. For 2024 overall, US-dollar NBSK pulp list prices to China averaged US$774 per tonne, up US$27 per tonne, or 4%, from the average price in 2023.

North American pulp list prices experienced similar trends to Asia, albeit lagged by several months, with list prices to that region starting the year at US$1,380 per tonne in January, peaking at US$1,790 per tonne in July, before declining through the balance of the year to end December at US$1,675 per tonne (before taking account of customer discounts, which were broadly unchanged year-over-year).

Global softwood pulp producer inventories began 2024 at 40 days of supply[30] and remained relatively steady until August, when pulp producer inventories spiked to 50 days of supply[30], largely driven by the introduction of additional global hardwood capacity. As the balance of the year progressed, however, these elevated pulp producer inventory levels slowly moderated, principally as a result of a modest uptick in purchasing activity from China late in the fourth quarter of 2024. Consequently, global softwood pulp inventories trended down to within the balanced range, ending the year at 42 days of supply[30]. Market conditions are generally considered balanced when inventories are in the 32-43 days of supply range[30].

The following charts show the China NBSK pulp list price movements in 2024, before taking account of customer discounts and rebates (Chart 5) and global pulp shipments by destination (Chart 6).

Chart 5

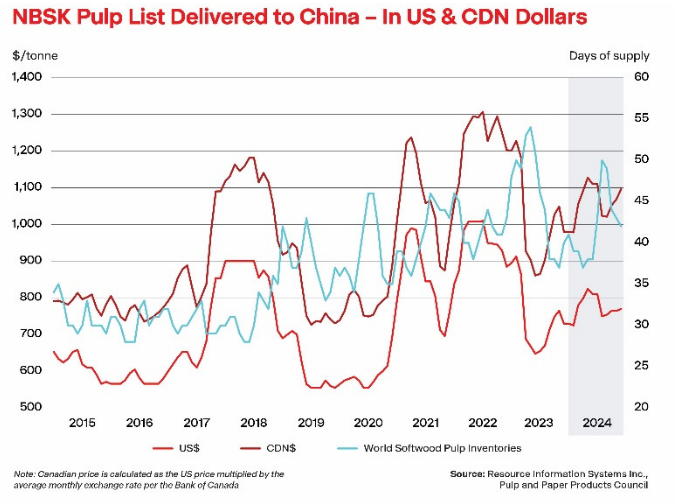
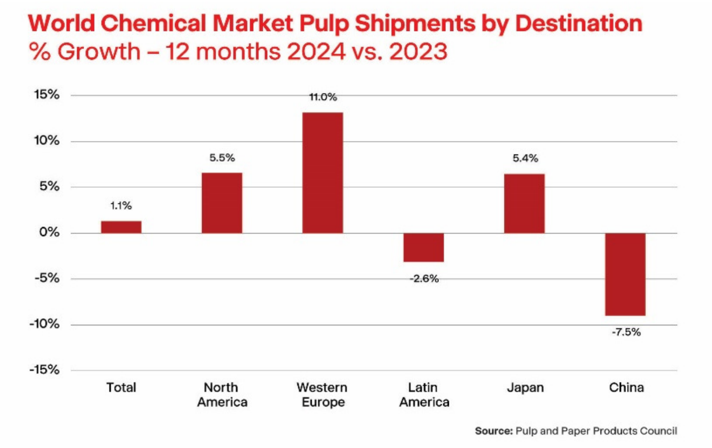


Chart 6



Global bleached kraft paper markets remained solid through 2024, principally led by steady demand and balanced inventories in the North American market.

30. World 20 data is based on twenty producing countries representing 80% of the 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).

Sales.

Pulp shipments in 2024 were 526,000 tonnes, down 83,000 tonnes, or 14%, from 2023, principally driven by a 15% reduction in pulp production year-over-year.

As mentioned, for the 2024 year as a whole, NBSK pulp list prices to China averaged US$774 per tonne, up $27 per tonne, or 4%, compared to the average in 2023. North American NBSK pulp list prices averaged US$1,646 per tonne for the current year, up US$198 per tonne, or 14%, year-over-year (before discounts, which were largely unchanged). As a direct result, CPPI's average NBSK pulp unit sales realizations were moderately higher in 2024 compared to the prior year, amplified, to a degree, by a 1 cent, or 1%, weaker Canadian dollar.

Energy revenues in 2024 were down compared to the prior year primarily due to a reduction in power generation associated with lower pulp production, particularly at Northwood following the indefinite curtailment of one production line, and a correlated decrease in turbine operating days.

Paper shipments were broadly comparable year-over-year, at 130,000 tonnes. Paper unit sales realizations for 2024 were slightly higher than the prior year, primarily due to a favourable product mix, combined with the weaker Canadian dollar.

Operations.

Pulp production was 511,000 tonnes in 2024, down 92,000 tonnes, or 15%, from the prior year, primarily reflecting the indefinite curtailment of one production line at CPPI's Northwood NBSK pulp mill in August 2024, offset in part by reduced unplanned downtime in the current year.

Pulp productivity at Northwood and at CPPI's Intercontinental NBSK pulp mill ("Intercon") were challenged by extreme winter weather conditions at the start of the year. Subsequently, in May 2024, following the successful completion of Intercon's scheduled maintenance, downtime at the mill was extended to address unforeseen recovery boiler repairs. For 2024 overall, despite improved operational efficiency and reliability, sustained fibre shortages continued to weigh on the business, and in August, CPPI wound down and indefinitely curtailed one production line at its Northwood pulp mill. Combined, these factors reduced NBSK pulp production by approximately 245,000 tonnes in 2024, of which the aforementioned curtailment at Northwood represented approximately 125,000 tonnes in the current year.

In 2023, pulp production was most notably impacted by fibre-related curtailments, including a temporary curtailment at Intercon early in the year and the subsequent permanent closure of the pulp line at CPPI's PG pulp and paper mill. When combined with the labour disputes at the Ports of Vancouver and Prince Rupert, as well as the impact of efficiency and reliability challenges, especially following the scheduled maintenance outage at Northwood, pulp production in the prior year was reduced by approximately 420,000 tonnes, of which the 210,000 tonnes was associated with the PG pulp line wind down.

Pulp unit manufacturing costs moderately improved in 2024 compared to the prior year, as lower fibre costs were combined with reduced energy and maintenance spend. The decrease in fibre costs compared to the prior year was largely due to a reduction in the volume of high-cost chips purchased and consumed following the closure of PG pulp mill in 2023.

Paper production in 2024 was largely in line with prior year, at 128,000 tonnes. Paper unit manufacturing costs in 2024 were moderately higher, as an increase in slush pulp costs (linked to higher Canadian dollar NBSK pulp market prices) were combined with higher energy costs in the current year following the closure of CPPI's PG pulp mill in April 2023.

Asset write-down and impairment.

An asset write-down and impairment charge of $211.0 million was recorded in 2024 on the property, plant, and equipment for the pulp and paper segment, driven by the ongoing uncertainty surrounding economic fibre availability that continued to impact CPPI. CPPI did not recognize any asset write-down or impairment charge in the prior year. See "Critical accounting estimates – Asset write-down and impairment" for further details.

Unallocated and other items.

Selected financial information.

(millions of Canadian dollars)		2024		2023
Corporate costs	$	(55.3)	$	(55.4)
Finance income (expense), net	$	(51.7)	$	10.4
Foreign exchange gain (loss) on term debt, duty deposits loan and duty deposits recoverable, net	$	(10.6)	$	4.5
Gain (loss) on derivative financial instruments	$	(11.9)	$	6.8
Other income, net	$	32.9	$	19.9

Corporate costs.

Corporate costs were $55.3 million in 2024, broadly in line with the prior year, as the decrease in head office and general administrative expenses was more than offset by higher legal costs associated with the softwood lumber dispute.

Finance income (expense), net.

Net finance expense for 2024 of $51.7 million, compared to net finance income of $10.4 million in 2023, principally due to a decrease in accrued interest income on recoverable duty deposits stemming from the finalization of CVD and ADD rates for the fifth period of review ("POR5"), combined with lower interest income associated with the Company's US-dollar short-term investments and an uplift in interest expenses associated with the Company's duty deposits loan as well as its operating loan and term debt facilities (see the "Liquidity and financial requirements" and "Softwood lumber agreement" sections for further discussion).

Foreign exchange gain (loss) on translation of term debt, duty deposits loan and duty deposits recoverable, net.

In 2024, the Company recognized a net foreign exchange loss of $10.6 million, primarily consisting of a loss of $21.3 million on its US-dollar denominated duty deposits loan and a loss of $4.4 million on its US-dollar term debt held by Canadian entities, moderated, to a degree, by a foreign exchange gain of $15.1 million on its US-dollar denominated net duty deposits recoverable, all due to the weakening of the Canadian dollar at the close of 2024 relative to the exchange rate at the close of 2023 (see further discussion in the "Liquidity and financial requirements" section).

Gain (loss) on derivative financial instruments.

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 2024, the Company recorded a net loss of $11.9 million (2023 – net gain of $6.8 million) in relation to its derivative financial instruments, primarily due to unrealized and realized mark-to-market losses on SEK foreign exchange forward contracts (see further discussion in the "Liquidity and financial requirements" section).

The following table summarizes the gains (losses) recognized in the consolidated statement of income (loss) for each of the various components during the comparable periods:

(millions of Canadian dollars)		2024		2023
Lumber futures	$	(0.4)	$	(0.4)
Foreign exchange forward contracts	$	(11.5)	$	7.2
Gain (loss) on derivative financial instruments	$	(11.9)	$	6.8

During 2024, a net gain of $74.3 million (2023 – $12.1 million loss) was recognized in 'Other equity' on the Company's consolidated balance sheet following Vida's non-controlling shareholders' exercising a portion of their put options in December 2024 combined with the remeasurement of the remaining put liability. Further discussion is provided in the "Partial acquisition of Vida's non-controlling interest" section of this document.

Additional information on financial instruments in place at year end can be found in the "Liquidity and financial requirements" section, later in this document.

Other income, net.

Other income, net of $32.9 million in 2024, was principally attributable to CPPI's receipt of $16.2 million in insurance proceeds related to operational downtime experienced at the Northwood in recent years, combined with favourable foreign exchange movements on US-dollar denominated working capital balances held by the Canadian operations. Other income, net of $19.9 million for 2023, largely reflected the receipt of insurance proceeds related to Northwood, combined with mark-to-market gains on investments in certain highly liquid funds and favourable foreign exchange movements on US-dollar denominated working capital balances held by the Canadian operations.

Income tax recovery.

The Company recorded an income tax recovery of $247.3 million in 2024, compared to a recovery of $141.5 million in 2023, with an overall effective tax rate of approximately 25%.

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

(millions of Canadian dollars)		2024		2023
Net loss before income taxes	$	(983.5)	$	(490.0)
Income tax recovery at statutory rate of 27%	$	265.5	$	132.3
Add (deduct):				
Non-taxable loss related to non-controlling interests	$	(2.1)	$	(1.1)
Entities with different income tax rates and other tax adjustments	$	(11.4)	$	9.7
Permanent difference from capital gains and losses and other non-deductible items	$	(4.7)	$	0.6
Income tax recovery	$	247.3	$	141.5

The income tax recovery arising from entities with different income tax rates and other tax adjustments is largely comprised of the Company's US and European lumber operations which have lower statutory income tax rates.

In addition to the amounts recorded in net income (loss), a tax expense of $2.9 million was recorded to other comprehensive income (loss) in relation to actuarial gains, net, on the defined benefit plans in 2024.

Other comprehensive income (loss).

(millions of Canadian dollars)		2024		2023
Defined benefit plan actuarial gains, net of tax	$	7.9	$	16.4
Foreign exchange translation of foreign operations, net of tax	$	152.3	$	(37.1)
Other comprehensive income (loss), net of tax	$	160.2	$	(20.7)

Canfor measures its accrued retirement benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. Any actuarial gains or losses which arise are recognized immediately by means of a credit or charge through other comprehensive income (loss).

For 2024, a gain of $10.8 million (before-tax) was recorded to 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) as a 0.1% increase in the discount rate used to value the defined benefit plans, was combined with a gain associated with the distribution of a plan surplus to members following the final settlement of one of the Company's registered pension plans.

For 2023, a gain of $22.4 million (before-tax) was recorded to other comprehensive income (loss) related to changes in the valuation of the Company's defined benefit plans (comprised of defined benefit pension plans as well as other benefit plans), as a 0.2% decrease in the discount rate used to value the defined benefit plans was more than offset by a higher than anticipated return on plan assets and, to a lesser extent, favourable movements in reserves.

For more information, see "Critical accounting estimates – Employee future benefits" later in this document and in Note 14 to Canfor's 2024 consolidated financial statements

The Company recorded an after-tax gain of $152.3 million in other comprehensive income (loss) in 2024 related to foreign exchange differences for foreign operations, mainly reflecting a weaker Canadian dollar relative to the US-dollar through the majority of 2024 compared to prior year. This compared to an after-tax loss of $37.1 million in other comprehensive income (loss) in 2023 related to foreign exchange differences for foreign operations, largely due to a stronger Canadian dollar through the majority of 2023 relative to the US-dollar, offset in part by a weaker Canadian dollar relative to the SEK.

Summary of financial position.

The following table summarizes Canfor's financial position as at December 31, 2024 and 2023:

(millions of Canadian dollars, except for ratios)		2024		2023
Cash and cash equivalents	**$**	**259.3**	$	627.4
Operating working capital (includes drawings on operating loans and current portion of term debt)	**$**	**582.6**	$	725.1
Net working capital	**$**	**841.9**	$	1,352.5
Property, plant and equipment	**$**	**2,440.9**	$	2,429.8
Right-of-use assets	**$**	**132.2**	$	123.1
Timber licenses	**$**	**323.0**	$	346.8
Goodwill and other intangible assets	**$**	**529.7**	$	519.3
Long-term investments and other (excluding deferred tax asset)	**$**	**284.3**	$	445.3
Net working capital and long-term assets	**$**	**4,552.0**	$	5,216.8
Term debt (long-term portion)	**$**	**72.5**	$	115.1
Duty deposits loan	**$**	**335.1**	$	-
Retirement benefit obligations	**$**	**133.4**	$	132.9
Lease obligations (long-term portion)	**$**	**106.9**	$	98.2
Deferred reforestation obligations (long-term portion)	**$**	**46.9**	$	47.4
Other long-term liabilities	**$**	**36.6**	$	37.5
Put liability	**$**	**110.7**	$	187.7
Deferred income taxes, net (including deferred tax asset)	**$**	**126.1**	$	320.6
Non-controlling interests	**$**	**272.0**	$	459.2
Equity attributable to shareholders of Company	**$**	**3,311.8**	$	3,818.2
	$	**4,552.0**	$	5,216.8
Ratio of current assets to current liabilities		**1.9 : 1**		2.5 : 1
Net debt (cash) to total capitalization[31]		**7.8%**		(9.1)%
Cumulative duty deposits paid	**$**	**996.9**	$	931.0

31. Net debt (cash) to total capitalization is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

The ratio of current assets to current liabilities at the end of 2024 was 1.9:1 compared to 2.5:1 at the end of 2023, largely reflecting a decline in the Company's cash balances, mainly tied to the acquisition of the El Dorado manufacturing facility in August 2024 for $100.6 million and the acquisition of an additional 7% of the outstanding shares in Vida for $118.3 million in December 2024.

The Company's net debt to total capitalization was 7.8% at December 31, 2024 (December 31, 2023 – net cash of 9.1%), principally tied to aforementioned acquisitions during 2024 combined with the impact on the net debt to total capitalization ratio of the duty deposits loan completed in the current year.

In 2024, the Company continued to pay cash deposits on Canadian lumber exports destined for the US as a result of the imposition of duties by the US Department of Commerce ("DOC") in the latter half of 2017. As of December 31, 2024, the Company had paid cumulative duty deposits of $996.9 million (December 31, 2023 – $931.0 million) and had accrued interest on duty deposits recoverable of $54.5 million (December 31, 2023 – $60.8 million).

Included in this $54.5 million is $6.5 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 December 31, 2024 and payable to Farallon Capital Management L.L.C. ("Farallon").

Further discussion is provided in the "Softwood Lumber Agreement" section of this document and Notes 13 and 29 to Canfor's 2024 consolidated financial statements.

Changes in financial position.

At the end of 2024, Canfor had $259.3 million of cash and cash equivalents.

(millions of Canadian dollars)		2024		2023
Decrease in cash and cash equivalents[32]	$	(373.9)	$	(634.6)
Operating activities	$	174.2	$	154.7
Financing activities	$	124.1	$	(185.6)
Investing activities	$	(672.2)	$	(603.7)

32. Decrease in cash and cash equivalents shown before foreign exchange translation on cash and cash equivalents.

The changes in the components of cash flows during 2024 are discussed in the following sections.

Operating activities.

For the 2024 year, Canfor generated cash from operations of $174.2 million, up $19.5 million from the cash generated of $154.7 million in the previous year. The improvement in operating cash flow was principally due to the uplift in cash earnings in 2024, combined with the receipt of income tax refunds in the current year, offset in part by unfavourable movements in non-cash working capital balances. The latter primarily reflected an increase in the trade receivable balance year-over-year, largely correlated with the uplift in North American benchmark lumber pricing towards the end of 2024, offset in part, by a timing-related increase in accounts payable and accrued liabilities. Cash duty deposits paid in 2024 were $65.9 million compared to $43.1 million in the prior year.

Financing activities.

Financing activities in 2024 generated cash of $124.1 million compared to cash used of $185.6 million in 2023. Financing activities in 2024 were largely comprised of proceeds received from a duty deposits loan of $313.8 million, partially offset by $65.4 million in distributions to non-controlling interests, as well as $45.0 million in long-term debt repayments, and, to a lesser extent, lease and interest payments. Financing activities in 2023 were principally related to distributions to non-controlling interests, share purchases, and, to a lesser extent, lease and interest payments. Finance activities in the prior year also included the conversion of CPPI's $50.0 million term debt into its existing operating loan facility, as well as a further $46.1 million in term debt repayments, offset in part by a net $33.2 million draw down on the Company's operating loan facilities.

Investing activities.

In 2024, the Company used net cash for investing activities of $672.2 million, compared to $603.7 million in 2023. The increase year-over-year was mainly associated with the Company's acquisition of the El Dorado manufacturing facility in August 2024 for $100.6 million (US$72.6 million) combined with the acquisition of an additional 7% of the outstanding shares in Vida for $118.3 million (SEK 916.6 million) in December 2024 (see further details outlined below). These investments were offset in part by the receipt of $72.6 million in net proceeds from the sale of assets in the current year, including proceeds received from the sale of the Mackenzie sawmill and related tenure, as well as the sale of the Chetwynd sawmill and CPPI's Taylor Bleached Chemi-Thermo Mechanical Pulp mill.

Additions to property, plant and equipment (excluding acquisitions) totaled $527.1 million in 2024, down $59.9 million from 2023. In the lumber segment, capital expenditures of $472.1 million principally reflected the construction costs associated with the Company's greenfield sawmill in Axis, Alabama, and the upgrade and expansion of the Company's Urbana sawmill in Arkansas, both of which were completed in the latter part of 2024, as well as ongoing spend associated with the expansion of the Bruza sawmill at the Company's European operations, and maintenance-of-business capital projects across all three lumber operating regions. In the pulp and paper segment, capital spending of $50.8 million in 2024 was largely associated with maintenance-of-business capital spend, including Intercon's scheduled maintenance outage.

Acquisition of El Dorado.

On August 1, 2024, the Company completed the purchase of Resolute's El Dorado lumber manufacturing facility located in Union County, Arkansas, for $100.6 million (US$72.6 million), including a net working capital adjustment of $4.2 million (US$3.1 million). The facility, named internally as Iron Mountain after a nearby roadway, produces dimensional lumber and specialty wood products and is expected to increase the Company's annual SYP lumber production capacity by 175 million board feet after an anticipated further $67.5 million (US$50.0 million) in planned upgrades. Additional details on the acquisition are contained in Note 28 to Canfor's 2024 consolidated financial statements.

Partial acquisition of Vida's non-controlling interest.

On December 10, 2024, the Company announced the acquisition of an additional 7.0% of the outstanding shares in Vida for total consideration of $118.3 million (SEK 916.6 million). The shares were acquired from certain minority shareholders who utilized their option privileges outlined in the February 2019 agreement, through which Canfor had initially purchased 70.0% of Vida. As a result of this transaction, Canfor's ownership in Vida increased from 70.0% to 77.0%. As control was retained, the transaction was accounted for as an equity transaction with owners. Additional details on the partial acquisition are contained in Note 30 to Canfor's 2024 consolidated financial statements.

Liquidity and financial requirements.

Operating loans.

Operating loans – Consolidated.

At December 31, 2024, on a consolidated basis, including CPPI and Vida, the Company had cash and cash equivalents of $259.3 million, with $106.8 million drawn on its operating loans and facilities, and an additional $54.2 million reserved for several standby letters of credit. At the end of the year, the Company had available and undrawn operating loan facilities of $1,321.6 million, including an undrawn committed revolving credit facility.

Operating loans – Canfor, excluding Vida and CPPI.

At December 31, 2024, Canfor, excluding Vida and CPPI, had available operating loan facilities totaling $1,221.2 million, with $48.2 million reserved for several standby letters of credit, the majority of which related to unregistered pension plans, leaving $1,173.0 million available and undrawn at the end of the year.

Interest is payable on Canfor's committed operating and revolving loan facilities (excluding Vida and CPPI) 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 net debt to total capitalization ratios.

Canfor's principal committed operating loan facility matures on April 16, 2028. Canfor's committed revolving credit facility matures on June 28, 2025. On June 28, 2025, 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.

Operating loans – Vida.

At December 31, 2024, Vida had $8.8 million drawn on its $101.4 million operating loan facilities, leaving $92.6 million available and undrawn at the end of the year.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 4.4% to 8.3%. Vida also has separate overdraft facilities with fixed interest rates ranging from 4.0% to 7.6%.

Operating loans – CPPI.

At December 31, 2024, CPPI had $98.0 million drawn on its $160.0 million operating loan facility, with $6.0 million reserved for several standby letters of credit, leaving $56.0 million available and undrawn at the end of the year.

In December 2024, CPPI amended certain of the covenants under its operating loan facility. These amendments provide increases to the net debt to total capitalization threshold and in certain cases reduce the interest coverage ratio. Refer to the "Debt covenants" section of this document for further details.

Other terms of the operating loan facility remain unchanged, including the repayment date of May 2, 2027. Interest is payable at floating rates that vary depending on the ratio of net debt to total capitalization and is based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin.

Term debt.

Canfor's and CPPI's term debt, excluding Vida, is unsecured. Vida's term debt is secured by its property, plant and equipment.

In combination with the amendment of its operating loan facility, CPPI's $80.0 million of non-revolving term debt was cancelled undrawn. This term debt had been restricted for use specifically for upgrades to Northwood's recovery boiler number one ("RB1").

Debt covenants.

As mentioned, Canfor and CPPI, excluding Vida, have certain financial covenants on its debt obligations that stipulate a maximum net debt to total capitalization ratio of 50.0%. The net debt to total capitalization is calculated by dividing total debt by shareholders' equity plus total debt. Debt obligations are held by various entities within the Canfor group and the individual debt agreements specify the entities within the group that are to be included in the covenant calculations.

In circumstances when net debt to total capitalization exceeds a 42.5%, Canfor and CPPI is subject to an interest coverage ratio that requires a minimum amount of two times earnings before interest, taxes, depreciation and amortization ("EBITDA") relative to net interest expense. As at December 31, 2024, neither Canfor nor CPPI are currently subject to this test.

In December 2024, CPPI amended certain of the covenants under its operating loan facility. Key amendments included the establishment of a covenant relief period during which the maximum net debt to total capitalization ratio increases from 50.0% to 60.0% for 2025 and 55.0% for 2026. In addition, if the net debt to total capitalization reaches a certain threshold, this amendment introduces a general security agreement on the property of CPPI and lowers the minimum EBITDA interest coverage ratio to one and a half times.

Provisions contained in Canfor's long-term borrowing agreements also limit the amount of indebtedness that the Company may incur and the amount of dividends it may pay on its common shares. The amount of dividends the Company is permitted to pay under its long-term borrowing agreements is determined by reference to consolidated net earnings less certain restricted payments.

Vida is also subject to certain financial covenants, including minimum equity and interest coverage ratios.

Management reviews results and forecasts in monitoring the Company's compliance with these covenant requirements. Canfor, Vida and CPPI were fully in compliance with all debt covenants for the year ended December 31, 2024.

Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

Duty deposits loan.

On September 27, 2024, Canfor entered into a secured loan agreement for approximately $424.9 million (US$315.0 million) with an affiliate of Farallon Capital Management, L.L.C. ("Farallon") and received all advances thereunder, totaling approximately $313.8 million (US$232.4 million). The loan is secured by certain accounts receivable related to CVD and ADD paid to the US government. The borrowings under the loan have terms of four and eight years, with an effective interest rate of 7.5% and 3.9%, respectively.

Principal and interest on the loan is payable at the end of the respective terms with the repayment of the loan, including all interest and principal payments, anticipated to be met by refunds and interest receivable out of duty refunds from the US government. To the extent duty refunds have not been received at the end of each respective term, the terms can be extended, at Canfor's option, for two additional ten-year terms.

Interest received by Canfor on the secured accounts receivable balances from September 27, 2024, to the date of duty refunds from the US government, will also be payable to Farallon at the end of the respective terms of the borrowings under the loan.

Additional details on the duty deposit loan are contained in Note 13 to Canfor's 2024 consolidated financial statements.

Net debt and liquidity.

As at December 31, 2024, on a consolidated basis, including CPPI and Vida, the Company had total net debt of $303.2 million, a $660.1 million change from net cash of $356.9 million at the end of the previous year. Available liquidity of $1,580.9 million, decreased by $197.0 million from the previous year.

Normal course issuer bid.

On March 19, 2024, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 5,942,508 common shares, or approximately 5% of its issued and outstanding common shares as of March 15, 2024. The renewed normal course issuer bid is set to expire on March 20, 2025.

In 2024, 526,700 common shares were purchased under this normal course issuer bid for $8.4 million (an average of $15.95 per common share), before tax of $0.6 million, all of which was paid during the year.

Shares outstanding.

As at December 31, 2024 and March 6, 2025 there were 118,405,079 common shares of the Company outstanding, and Canfor's ownership interest in CPPI and Vida was 54.8% and 77.0%, respectively (December 31, 2023 – 54.8% and 70.0%).

2025 Projected capital spending and debt repayments.

Based on its current outlook, assuming no significant change in market conditions during the year, the Company anticipates it will invest approximately $350 million in 2025, which will include approximately $300 million in the lumber segment and approximately $50 million in the pulp and paper segment (including costs related to scheduled maintenance outages).

For the lumber business, projected spending is anticipated to reflect capital investments aimed at increasing drying and sorting capacity at the Company's European Bruza sawmill, as well as various high-returning discretionary projects, primarily concentrated in the US South and Europe.

For CPPI, it is anticipated that capital projects in 2025 will be primarily focused on projects aimed at improving the reliability of its operations.

Details of the Company's additional commitments and term debt obligations in 2025 are outlined in the "Other commitments" section of this document. Canfor (including CPPI and Vida) has sufficient liquidity in its cash reserves and operating loans to finance its planned investments and support its lumber and pulp operations during 2025.

Derivative financial instruments.

As at December 31, 2024, the Company had the following significant derivative financial instruments outstanding:

	As at December 31, 2024	
Maturity Date	**Notional Amount**	**Average Rate**
Lumber Futures Contracts	(MMfbm)	(US-dollars per Mfbm)
Future sales contracts		
0-6 months	**14.5**	**$601.4**

At a consolidated level, Canfor is exposed to foreign exchange risk related to the US-dollar, as Canfor's products are sold principally in US-dollars. In addition, Canfor holds US-dollar denominated financial assets and liabilities. Although the Company's Vida subsidiary primarily transacts in its functional currency of SEK, some of its products are sold in US dollars, British pounds ("GBP"), Australian dollars ("AUD"), Euros ("EUR"), and Norwegian krone ("NOK"). The Company, including Vida, holds US-dollar, SEK and AUD operating loan and term debt facilities and limits its exposure to foreign exchange risk using forward foreign exchange contracts and foreign exchange options.

		As at December 31, 2024	
Maturity Date	**Notional Amount Currency**	**Notional Amount**	**Exchange Rates**
Forward Foreign Exchange Contracts		(millions)	(rate of SEK to notional currency)
Future sales contracts			
0-6 months	**GBP**	**£40.0**	**13.54**
0-12 months	**USD**	**$66.0**	**10.16**
0-6 months	**EUR**	**€15.0**	**11.43**

At December 31, 2024, the fair value of derivative financial instruments includes an asset of $1.1 million which is included in 'Other receivables' and a liability of $5.2 million which is included in 'Accounts payable and accrued liabilities' on the Company's consolidated balance sheet. The fair value of these financial instruments was determined based on prevailing market rates for instruments with similar characteristics.

Other commitments.

The following table summarizes Canfor's term debt obligations excluding interest at December 31, 2024 for each of the next five years and thereafter:

(millions of Canadian dollars)	2025	2026	2027	2028	2029	Thereafter	Total
Term debt obligations	$ 48.1	$ 0.1	$ 72.2	$ 0.2	$ -	$ -	$ 120.6

Interest payments include interest of 4.4% on the Company's US$33.3 million fixed-rate term loan. Interest is also payable on floating rate debt. Interest payments have been excluded from the above commitments.

Other contractual obligations not included in the table above or highlighted previously are:

- Contractual commitments totaling $242.5 million reflecting commitments for the construction of capital assets, and other working capital items. The majority of these commitments are expected to be settled within five years. In addition, the Company has committed to leases of property, plant and equipment as outlined under Note 6 of Canfor's 2024 consolidated financial statements.

  The Company's total commitments of $242.5 million include contractual commitments with landowners to purchase a fixed volume of logs at a future date for a negotiated, agreed upon price. For certain contracts, the Company pre-pays a portion of the fee to the vendor, recognized in 'Prepaid expenses and other' on the Company's consolidated balance sheet. At December 31, 2024, the Company determined that certain prepaid log purchase contracts had become onerous as defined under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as the cost of the logs, combined with the incremental cost to convert the logs to finished lumber, were anticipated to exceed the future sales price. Therefore, an onerous contract provision of $9.2 million was recognized in 'Accounts payable and accrued liabilities' as at December 31, 2024.

- Deferred reforestation, for which a liability of $104.5 million has been recorded at December 31, 2024. The reforestation liability is a fluctuating obligation, based on the area harvested. The future cash outflows are a function of the actual costs of silviculture programs and of harvesting and are based on, among other things, the location of the harvesting and the activities necessary to adequately stock harvested areas and achieve a "free-to-grow" state.

- Obligations to pay pension and other post-employment benefits, for which the net liability for accounting purposes at December 31, 2024 was $116.9 million. As at December 31, 2024, Canfor estimates that total contribution payments of $8.2 million will be made to its defined benefit pension plans in 2025.

- CPPI has energy purchase agreements with a BC energy company (the "Energy Agreements") for its kraft pulp mills. Two of these agreements are for the sale of incremental electrical energy and the third agreement is for load displacement (completed in 2024). All agreements include performance guarantees to ensure minimum contractual amounts of electricity are generated, with penalty clauses if they are not met. As part of these commitments, CPPI has entered into standby letters of credit for these guarantees. The standby letters of credit have variable expiry dates, depending on the capital invested and the length of the Energy Agreement involved. As at December 31, 2024, CPPI had posted $2.0 million of standby letters of credit under these agreements.

- Purchase and contractual obligations in the normal course of business. Purchase obligations of a more substantial dollar amount generally relate to the supply of fibre for the pulp business and are subject to "force majeure" clauses. In these instances, actual volumes purchased may vary significantly from contracted amounts depending on CPPI's requirements in any given year.

Transactions with related parties.

The Company undertakes transactions with various related entities. These transactions are in the normal course of business and are generally on similar terms as those accorded to unrelated third parties, except where otherwise noted.

The Jim Pattison Group is Canfor's largest shareholder with an ownership interest of 53.8% at December 31, 2024. During 2024, subsidiaries owned by the Jim Pattison Group provided lease, insurance, and other services to Canfor totaling $6.5 million.

During 2024, CPPI sold paper to subsidiaries owned by the Jim Pattison Group totaling $3.8 million. CPPI also made purchases from subsidiaries owned by the Jim Pattison group totaling $0.5 million.

Also during 2024, Vida purchased sawlogs from former owners and current key management personnel totalling $2.0 million (SEK 15.1 million).

Additional details on related party transactions are contained in Note 23 to Canfor's 2024 consolidated financial statements.

Environmental, Social and Governance ("ESG") strategy, reporting and related matters.

The Company's annual Sustainability Report includes sustainability goals and targets and demonstrates progress made to date.

The Company is actively monitoring the changing landscape of ESG reporting regulations and has aligned disclosures with the Global Reporting Initiative ("GRI"), the recommendations from the Task Force on Climate-Related Financial Disclosures ("TCFD") and with the standards of the Sustainability Accounting Standards Board ("SASB"). In addition to regulatory Greenhouse Gas ("GHG") reporting for applicable facilities, on a voluntary basis, the Company calculates its manufacturing and corporate Scope 1 and Scope 2 GHG emissions annually for all of its facilities under operational control in Canada, the US and Sweden in accordance with Greenhouse Gas Protocol developed by the World Business Council for Sustainable Development and World Resource Institute. The Company has also calculated Scope 3 GHG emissions for its 2022 baseline year and they will be disclosed in our 2024 Sustainability Report. In 2024, Canfor has approved near and long-term science-based emissions reduction targets with the Science Based Targets Initiative (SBTi). in line with the Paris Agreement and limiting global warming to 1.5° Celsius above preindustrial levels. Direct emissions reductions will be prioritized, and all residual emissions will be neutralized (if applicable) in line with SBTi criteria before reaching net-zero emissions.

More detailed information on the Company's sustainability strategy and performance is provided in the annual Sustainability Report (to be issued in the first quarter of 2025) and at https://sustainability.canfor.com.

The Company has published several sustainability-related goals and targets as part of its sustainability strategy. There is a risk that these goals and targets may not be met or not be achieved within the expected time periods, that some or all of the expected opportunities may fail to materialize, result in increased capital expenditures or other costs to its operations. This may be due to events and circumstances, such as, but not limited to: general global economic, market and business conditions; pricing, supply, demand for products; governmental and regulatory requirements and actions; ability to access capital; commercial viability and scalability of emission reduction strategies and technology; impacts from natural disturbances and extreme weather conditions. In addition, there may be reputational risks due to the rising prominence of environment, social and governance concerns among the Company's stakeholders and Indigenous partners which could impact public opinions about the Company and its industry and could adversely affect its reputation, business, strategy, and operations. The Company is committed to sustainable forest management practices, which considers climate change and includes consultation engagement with Indigenous partners and stakeholders.

The risks and uncertainties the Company faces associated with climate change and the environment are discussed further under "Climate change", "Environmental issues", and "Species at risk" in the "Risks and uncertainties" section of this document.

Three-year comparative review.

(millions of Canadian dollars, except per share amounts)		2024		2023		2022
Sales	**$**	**5,252.8**	$	5,426.6	$	7,426.7
Net income (loss)	**$**	**(736.2)**	$	(348.5)	$	861.1
Shareholder net income (loss)	**$**	**(669.0)**	$	(326.1)	$	787.3
Total assets	**$**	**5,571.9**	$	6,131.4	$	6,739.2
Term debt	**$**	**120.6**	$	159.9	$	258.9
Shareholder net income (loss) per share, basic and diluted	**$**	**(5.64)**	$	(2.71)	$	6.39

Fourth quarter results.

Q4 overview, including adjusting and one-time items[33].

(millions of Canadian dollars)	Q4 2024	Q3 2024	YTD 2024	Q4 2023	YTD 2023
Reported operating loss	**$ (45.9)**	$ (559.7)	**$ (942.2)**	$ (191.3)	$ (531.6)
Asset write-down and impairment – lumber segment	**$ -**	$ 100.3	**$ 131.9**	$ -	$ -
Asset write-down and impairment – pulp and paper segment	**$ -**	$ 211.0	**$ 211.0**	$ -	$ -
Inventory write-down (recovery), net[34]	**$ (36.1)**	$ (14.8)	**$ (29.7)**	$ (41.1)	$ (57.2)
Adjusted operating loss[33]	**$ (82.0)**	$ (263.2)	**$ (629.0)**	$ (232.4)	$ (588.8)
One-time items – lumber segment[33]:					
Restructuring and closure costs[35]	**$ 4.9**	$ 36.5	**$ 74.0**	$ -	$ 12.2
Gain on sale of assets, net[36]	**$ -**	$ (34.9)	**$ (34.9)**	$ -	$ -
Duty expense (recovery) related to finalized rates[37]	**$ -**	$ 67.2	**$ 67.2**	$ -	$ (43.3)
Duty expense related to refined fair value measurement[38]	**$ -**	$ 53.4	**$ 53.4**	$ -	$ -
One-time items – corporate restructuring costs[33,35]	**$ 0.6**	$ 2.1	**$ 2.7**	$ -	$ -
Adjusted operating loss before one-time items[33]	**$ (76.5)**	$ (138.9)	**$ (466.6)**	$ (232.4)	$ (619.9)
Amortization	**$ 98.6**	$ 104.0	**$ 429.1**	$ 102.2	$ 420.4
Adjusted operating income (loss) before amortization and one-time items[33]	**$ 22.1**	$ (34.9)	**$ (37.5)**	$ (130.2)	$ (199.5)

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

34. For the lumber segment, a $36.1 million net reversal of a previously recognized inventory write-down was recorded in Q4 2024 (Q3 2024 – $14.8 million net reversal of a previously recognized inventory write-down, Q4 2023 – $30.2 million net reversal of a previously recognized inventory write-down). For the pulp and paper segment, no inventory valuation adjustment was recognized in Q4 2024 and Q3 2024 (Q4 2023 – $10.9 million net reversal of a previously recognized inventory write-down).

35. Restructuring and closure costs of $5.5 million ($4.9 million in the lumber segment and $0.6 million in the unallocated segment), were recognized in Q4 2024 largely related to the permanent closure of the Jackson and Mobile sawmills in the US South (Q3 2024 – restructuring and closure costs of $38.6 million, $36.5 million in the lumber segment related to the permanent closures of Plateau and Fort St. John and $2.1 million in the unallocated segment; Q4 2023 – no restructuring and closure costs were recognized).

36. On September 9, 2024, the Company completed the sale of its remaining Mackenzie sawmill assets and associated forest tenure to the McLeod Lake Indian Band and Tsay Keh Dene Nation for total proceeds of $66.5 million. As a result of this transaction, as well as other asset sales in the period, a net gain on sale of $34.9 million was recognized in Q3 2024.

37. A duty expense of $67.2 million (US$48.6 million) was recognized in Q3 2024 following the finalization CVD and ADD rates applicable to POR5.

38. In Q3 2024, the Company refined its estimate of the fair value measurement of net duty deposits recoverable. In accordance with IFRS Accounting Standards, this change in accounting estimate was applied on a prospective basis.

For the fourth quarter of 2024, the Company reported an operating loss of $45.9 million, compared to an operating loss of $559.7 million for the third quarter of 2024. After taking account of adjusting and one-time items, as outlined in the table above, the Company's operating loss for the fourth quarter of 2024 was $76.5 million compared to a similarly adjusted operating loss of $138.9 million for the previous quarter. These results primarily reflect an improvement in earnings for the lumber segment, and to a lesser extent, the pulp and paper segment.

For the lumber segment, the operating loss was $36.6 million for the fourth quarter of 2024, compared to the previous quarter's operating loss of $336.2 million. After taking account of adjusting and other one-time items, the lumber segment operating loss was $67.8 million, compared to a similarly adjusted operating loss of $128.5 million in the prior quarter. These results principally reflected improved results from the Company's North American operations combined with another quarter of solid earnings from its European operations. The former was largely driven by an uptick in most North American lumber benchmark prices towards the end of the current quarter and a 2 cent, or 3%, weaker Canadian dollar (versus the US-dollar). This slight improvement in market conditions was combined with the benefit of higher production and shipments in Europe and Western Canada following seasonal and market-related downtime taken, respectively, in the previous quarter.

For the pulp and paper segment, operating income was $4.1 million for the fourth quarter of 2024, compared to an operating loss of $209.3 million for the third quarter of 2024. After taking account of adjusting items, including an asset write-down and impairment charge in the prior period, CPPI's adjusted operating income improved $2.4 million compared to an adjusted operating income for the third quarter of 2024 of $1.7 million.

Notwithstanding the decline in adjusted results from its pulp operations in the current period, principally due to the full quarter impact of the one line curtailment at Northwood on pulp production, shipments and costs, the improvement in operating income for CPPI as a whole, largely reflected a moderate uplift in paper unit sales realizations, particularly to North American markets, combined with an increase in paper production quarter-over-quarter.

Compared to the fourth quarter of 2023, adjusted operating results were up $155.9 million from an adjusted operating loss of $232.4 million in the comparative period, primarily consisting of a $124.6 million improvement in lumber segment results combined with a $30.1 million increase in pulp and paper segment earnings.

After taking into consideration the adjusting and one-time items, the lumber segment operating loss in the fourth quarter of 2024 was $67.8 million, compared to a similarly adjusted operating loss of $192.4 million in the fourth quarter of 2023. Higher lumber segment results in the current period were predominantly driven by the Company's Western Canadian operations, and to a much lesser extent, Europe, mitigated to a degree, by a slight decline in results from the US South quarter-over-quarter. In Western Canada, the uplift in results in the current quarter was primarily a result of a US$35 per Mfbm, or 9%, increase in the average North American Random Lengths Western SPF 2x4 #2&Btr price, combined with the benefit of the changes in the operating footprint in BC, resulting from mill closures and curtailments over the course of 2024. Improved earnings in Europe in the current quarter were principally tied to improved market pricing in that region, while in the US South, the small decline in results quarter-over-quarter was largely associated with market-related downtime and the correlated increase in lumber unit manufacturing costs in that region.

The adjusted operating results for the pulp and paper segment increased by $30.1 million compared to the fourth quarter of 2023, as significantly higher US-dollar NBSK pulp list prices and a substantial improvement in paper unit sales realizations in the current quarter were combined with a 2 cent, or 3%, weaker Canadian dollar, more than outweighing the impact of reduced pulp production and shipment volumes quarter-over-quarter.

An overview of the results by business segment for the fourth quarter of 2024 compared to the third quarter of 2024 and the fourth quarter of 2023 follows.

Operating results by business segment.

Lumber.

Selected financial information and statistics – lumber.

(millions of Canadian dollars, unless otherwise noted)		Q4 2024		Q3 2024		Q4 2023
Sales[40]	$	1,122.6	$	1,009.7	$	1,089.0
Reported operating loss[40]	$	(36.6)	$	(336.2)	$	(162.2)
Adjusting and one-time items[39]	$	(31.2)	$	207.7	$	(30.2)
Adjusted operating loss before one-time items[39]	$	(67.8)	$	(128.5)	$	(192.4)
Amortization	$	89.8	$	86.1	$	85.3
Adjusted operating income (loss) before amortization and one-time items[39,40]	$	22.0	$	(42.4)	$	(107.1)
Average WSPF 2x4 #2&Btr lumber price in US$[41]	$	435	$	366	$	400
Average WSPF 2x4 #2&Btr lumber price in Cdn$[41,43]	$	608	$	499	$	545
Average SYP 2x4 #2 lumber price in US$[42]	$	424	$	380	$	448
Average SYP 2x4 #2 lumber price in Cdn$[42,43]	$	593	$	518	$	610
Average SYP 2x6 #2 lumber price in US$[42]	$	367	$	270	$	333
Average SYP 2x6 #2 lumber price in Cdn$[42,43]	$	513	$	368	$	454
US housing starts (thousand units SAAR)[44]		1,379		1,332		1,481
Production – WSPF lumber (MMfbm)[45]		449		412		503
Production – SYP lumber (MMfbm)[45]		392		395		438
Production – European lumber (MMfbm)[40,45]		361		316		324
Shipments – WSPF lumber (MMfbm)[46]		464		442		510
Shipments – SYP lumber (MMfbm)[46]		387		417		434
Shipments – European lumber (MMfbm)[46]		419		369		389

39. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this MD&A are defined as non-IFRS financial measures. Refer to the "Q4 overview, including adjusting and one-time items" and "Non-IFRS financial measures" sections for further details.
40. Q4 2024 includes sales of $363.8 million, operating income of $6.8 million, and operating income before amortization of $25.6 million from European operations (Q3 2024 – sales of $329.9 million, operating income of $5.5 million, and operating income before amortization of $23.9 million; Q4 2023 – sales of $324.7 million, operating loss of $2.3 million, and operating income before amortization of $15.5 million). Operating income from the European operations in Q4 2024 includes $9.3 million in incremental amortization and other expenses driven by the purchase price allocation at acquisition (Q3 2024 – $9.5 million; Q4 2023 – $9.3 million). Sawmill production from European operations was 407 MMfbm in Q4 2024 (Q3 2024 – 352 MMfbm; Q4 2023 – 370 MMfbm).
41. Western Spruce/Pine/Fir, per thousand board feet (Source – Random Lengths Publications, Inc.).
42. Southern Yellow Pine, Eastside, per thousand board feet (Source – Random Lengths Publications, Inc.).
43. Average lumber prices in Cdn$ 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.
44. Source – US Census Bureau, seasonally adjusted annual rate ("SAAR").
45. Planer production, excluding production of trim blocks.
46. 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 saw a modest improvement in the fourth quarter of 2024. While affordability concerns persisted, a quarter-over-quarter decline in interest rates contributed to a slight uptick in US residential construction activity. The repair and remodeling sector remained steady during the period. This subtle improvement in demand was coupled with reduced supply due to fibre shortages and market-related curtailments in both the US South and Western Canada and led to a rise in North American benchmark lumber prices in the current quarter.

US housing starts averaged 1,379,000 units on a seasonally adjusted basis for the current quarter, up 4% from the previous quarter, reflecting a 3% and 6% increase in single family and multi-family starts, respectively. In Canada, housing starts averaged 248,000 units on a seasonally adjusted basis in the fourth quarter of 2024, up 4% from the previous quarter, largely driven by an increase in the construction of single-family units, and to a lesser extent, multi-family units.

Offshore lumber markets in Asia saw improved pricing during the current quarter, despite continued low demand. In China, reduced imports from Russia and lower volumes from Europe, due largely to the impact of the spruce beetle, led to supply pressure in the region, resulting in some price appreciation. Similarly, Japan experienced fewer imports from Europe, impacted by both the spruce beetle supply constraints and geopolitical logistics challenges, contributing to a quarter-over-quarter improvement in pricing in that region.

In Europe, lower interest rates and easing inflation provided a small improvement in affordability, leading to a slight increase in residential construction activity during the current quarter. However, demand in the repair and remodeling sector weakened during the fourth quarter. As a result, overall European demand, and therefore market pricing, was muted quarter-over-quarter.

Sales.

Sales revenues for the lumber segment for the fourth quarter of 2024 were $1,122.6 million, up $112.9 million compared to the previous quarter. The 11% increase in lumber sales revenue over the prior period was primarily driven by higher North American lumber unit sales realizations, coupled with an uptick in shipments from Western Canada and Europe, and to a lesser extent, a 3% weaker Canadian dollar (versus the US-dollar) in the current quarter. These factors were moderated, to a degree, by lower SYP shipments and fairly flat European lumber unit sales realizations quarter-over-quarter.

Compared to the fourth quarter of 2023, sales revenues increased $33.6 million, or 3%, primarily attributable to an uplift in Western SPF and European lumber unit sales realizations, combined with the benefit of increased European shipment volumes and, to a lesser extent, a 3% weaker Canadian dollar (versus the US-dollar), partly offset by lower North American shipments in the current quarter.

Total lumber shipments at 1,270 billion board feet, were up 3% from the previous quarter, largely tied to a 14% uplift in European lumber shipments, following the seasonal production downtime taken in the prior period. North American lumber shipments were broadly comparable quarter-over-quarter as a production-driven increase in Western SPF shipments, was largely offset by a timing-related decline in SYP shipments in the current period.

Compared to the fourth quarter of 2023, total lumber shipments declined 5%, as an increase in European shipments quarter-over-quarter was more than offset by a 10% drop in North American shipments, primarily correlated with reduced production in the current quarter, largely tied to the impact of temporary and permanent mill closures implemented in 2024.

The North American Random Lengths Western SPF 2x4 #2&Btr price opened the quarter at a low of US$380 per Mfbm and steadily improved as the quarter progressed, ending December at US$438 per Mfbm. For the current quarter overall, the North American Random Lengths Western SPF 2x4 #2&Btr price averaged US$435 per Mfbm, up US$69 per Mfbm, or 19%, from the previous quarter. The Company's Western SPF unit sales realizations significantly improved quarter-over-quarter, primarily reflecting this uplift in Western SPF 2x4 #2&Btr lumber pricing, as well as more pronounced increases in pricing for most wider width products and the 3% weaker Canadian dollar (versus the US-dollar), offset in part by a timing lag in shipments vs orders.

The average North American SYP East 2x4 #2 price began the quarter at US$432 per Mfbm, reached a high of US$485 per Mfbm towards the end of October, then gradually declined and ended December at US$400 per Mfbm. Overall, the SYP East 2x4 #2 price averaged US$424 per Mfbm in the fourth quarter of 2024, up US$44 per Mfbm, or 12%, from the previous quarter. The SYP East 2x6 #2 price experienced greater appreciation than the SYP East 2x4 #2, averaging US$367 per Mfbm for the current quarter, an increase of US$97 per Mfbm, or 36%, quarter-over-quarter. As a direct result, the Company's SYP unit sales realizations experienced a substantial improvement in the current quarter, principally tied to the aforementioned upward trend in SYP lumber benchmark pricing.

The Company's European lumber unit sales realizations were broadly comparable with the previous quarter as fairly flat lumber market pricing in Europe and the UK, was combined with a 1% stronger Canadian dollar (versus the SEK).

Compared to the fourth quarter of 2023, the average North American Random Lengths Western SPF 2x4 #2&Btr price increased by US$35 per Mfbm, or 9%. A significant uplift in the Company's Western SPF lumber unit sales realizations quarter-over-quarter largely reflected this increase, combined with favorable pricing gains for most wider-width products and a 3% weaker Canadian dollar (versus the US-dollar). In the US South, SYP lumber unit sales realizations increased slightly compared to the fourth quarter in the prior year, as a US$24 per Mfbm, or 5%, decrease in the average North American SYP East 2x4 #2 price, was more than offset by the US$34 per Mfbm, or 10%, uptick in the average SYP East 2x6 #2 price over the same comparative period. The Company's European lumber unit sales realizations experienced a moderate increase from the same period in the prior year, primarily tied to improved lumber market pricing in Europe in the current quarter, tempered in part by a 1% stronger Canadian dollar (versus the SEK).

Other revenues for the Company's lumber segment (which are primarily comprised of residual fibre, pulp log and pellets sales, as well as the Company's European operations' other related revenues) increased significantly compared to the previous quarter, primarily due to the impact of the seasonal production downtime taken at the Company's European operations in the prior quarter, combined with seasonally higher log sales in Western Canada in the current period. Other revenues for the fourth quarter of 2024 were broadly comparable with the same period in the prior year.

Operations.

Total lumber production, at 1.20 billion board feet, was 7% higher than the prior quarter, principally due to the benefit of increased operating days at the Company's European operations following the aforementioned seasonal downtime, combined with an uptick in

Western SPF production, primarily driven by a reduction in market-related curtailments in the current period (approximately 155 million board feet in the current quarter versus 200 million board feet in the prior quarter). SYP lumber production was broadly in line with the prior quarter as capital related downtime associated with the completion of the Urbana sawmill upgrade in the third quarter of 2024 was largely offset by reduced operating schedules in the fourth quarter of 2024, principally tied to an increase in statutory holidays.

Compared to the fourth quarter of 2023, total lumber production decreased by 5%, primarily reflecting, in Western Canada, the impact of the permanent closure of the Polar sawmill (April 2024) and the wind-down of Plateau and Fort St. John sawmills during the current quarter. These factors were combined with market-related downtime in the US South and the permanent closure of the Jackson (June 2024) and Mobile sawmills (October 2024). The impact of these closures on North American lumber production was offset in part by acquisition of Iron Mountain (August 2024), the ramp up of Urbana, following its upgrade and expansion project completed during the third quarter of 2024, as well as start-up of the greenfield sawmill in Axis, Alabama through the fourth quarter of 2024. In contrast, production from the Company's European operations increased by 11% compared to the same period in the prior year, mostly tied to the benefit of an additional shift at the Borgstena sawmill in early 2024, as well as improved productivity at most of the Company's sawmills in that region.

Lumber unit manufacturing and product costs were slightly lower than the previous quarter, primarily due to a decrease in per-unit conversion costs principally driven by higher production volumes in the current period. Log costs were broadly comparable quarter-over-quarter, as increased European log costs, associated with ongoing log supply pressures, were offset by lower log costs in BC in the current quarter.

Compared to the fourth quarter of 2023, lumber unit manufacturing costs were modestly higher, as a minor increase in per-unit conversion costs, was combined with a slight uplift in log costs. The former was most pronounced in the US South, principally due to lower production in the current period. In Western Canada, the impact of lower production quarter-over-quarter, was largely mitigated by reduced spending. In Europe, per-unit conversion costs experienced a slight reduction, as the benefit of higher production was mostly offset by inflationary-related pressures on spend. Higher log costs in the current period were largely driven by significant market-based log price increases in Europe due to ongoing log supply constraints, offset, in part, by lower market-based stumpage costs in BC. Log costs in the US South were broadly comparable quarter-over-quarter.

Pulp and paper.

Selected financial information and statistics – pulp and paper.[47]

(millions of Canadian dollars, unless otherwise noted)	Q4 2024	Q3 2024	Q4 2023
Sales	$ 163.1	$ 193.2	$ 193.9
Reported operating income (loss)	$ 4.1	$ (209.3)	$ (15.1)
Adjusting and one-time items[48]	$ -	$ (211.0)	$ (10.9)
Adjusted operating income (loss) before one-time items[48]	$ 4.1	$ 1.7	$ (26.0)
Amortization[49]	$ 8.2	$ 17.1	$ 16.2
Adjusted operating income (loss) before amortization and one-time items[48, 49]	$ 12.3	$ 18.8	$ (9.8)
Average NBSK pulp list price delivered to China – US$[50]	$ 767	$ 771	$ 748
Average NBSK pulp list price delivered to China – Cdn$[50]	$ 1,073	$ 1,052	$ 1,019
Production – pulp (000 mt)	98	125	148
Production – paper (000 mt)	34	30	34
Shipments – pulp (000 mt)	97	125	136
Shipments – paper (000 mt)	28	31	32

47. Includes 100% of Canfor Pulp Products Inc., which is consolidated in Canfor's operating results.
48. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this MD&A are defined as non-IFRS financial measures. Refer to the "Q4 overview, including adjusting and one-time items" and "Non-IFRS financial measures" sections for further details.
49. Amortization includes amortization of certain capitalized major maintenance costs.
50. 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 fundamentals remained relatively flat through the fourth quarter of 2024, following a moderate decline in the preceding quarter. However, later in the period, global demand and purchasing activity experienced some positive momentum as producers worked to reduce their higher-than-average inventory levels. Consequently, US-dollar NBSK list prices to China, the world's largest pulp consumer, saw a slight increase towards the end of the current quarter, ending December at US$770 per tonne. Despite this late improvement, for the current quarter overall, US-dollar NBSK pulp list prices to China averaged US$767 per tonne, down US$4 per tonne, or 1%, from the prior quarter. Compared to the same period in the prior year, however, pulp list prices to China were up US$19 per tonne, or 3%.

Notwithstanding the subtle positive trends seen in China late in the current period, other global regions, including North America, continued to experience price moderation through the fourth quarter, with the average US-dollar NBSK pulp list price to North America down US$75 per tonne, or 4%, from the previous quarter, to US$1,687 per tonne (before discounts). Compared to the fourth quarter of 2023, however, pulp list prices to North America were up US$375 per tonne, or 29%.

Global softwood pulp producer inventories steadily improved as the fourth quarter progressed, ending December 2024 at 42 days of supply[51], a decline of 7 days compared to September 2024. Market conditions are generally considered balanced when inventories are in the 32-43 days of supply range[51].

Global kraft paper market demand and pricing remained stable through most of the fourth quarter of 2024, with some weakness experienced in the North American region toward the end of the year.

Sales.

CPPI's pulp shipments for the fourth quarter of 2024 totaled 97,000 tonnes, down 28,000 tonnes, or 22%, from the previous quarter, and down 39,000 tonnes, or 29% from the fourth quarter of 2023, primarily driven by a reduction in pulp production following the wind down of one production line at CPPI's Northwood pulp mill in August 2024. Pulp shipments for the fourth quarter of 2023 were impacted by the delayed restart of Northwood following the completion of its scheduled maintenance outage (approximately 30,000 tonnes).

CPPI's average NBSK pulp unit sales realizations were broadly comparable to the prior quarter, as slightly weaker US-dollar NBSK pulp list prices to China were offset by a 2 cent, or 3%, weaker Canadian dollar.

Compared to the fourth quarter of 2023, CPPI's average NBSK pulp unit sales realizations experienced a substantial increase, primarily attributable to improved market fundamentals quarter-over-quarter, including a 3% increase in US-dollar NBSK pulp list prices to China and a 29% increase in pricing to North America (before discounts), combined with a 2 cent, or 3%, weaker Canadian dollar.

Energy revenues increased in the current quarter compared to the third quarter of 2024, principally driven by seasonally higher power pricing. Compared to the fourth quarter of 2023, energy revenues declined, largely a result of lower production associated with the wind down of one production line at Northwood and the correlated decline in energy generation.

CPPI's paper shipments in the fourth quarter of 2024 were 28,000 tonnes, down 3,000 tonnes from the previous quarter, and down 4,000 from the fourth quarter of 2023, largely due to the timing of shipments quarter-over-quarter and the replenishment of inventory levels in the current period as a result of minor mechanical failures impacting productivity in the prior quarter.

Paper unit sales realizations in the fourth quarter of 2024 were moderately higher than the previous quarter, principally reflecting a favourable product mix (timing-related), combined with the weaker Canadian dollar. Compared to the fourth quarter of 2023, paper unit sales realizations experienced a substantial increase, primarily associated with a notable improvement in US-dollar paper prices quarter-over-quarter, especially to North American markets, combined with the weaker Canadian dollar.

Operations.

Pulp production was 98,000 tonnes for the fourth quarter of 2024, down 27,000 tonnes, or 22%, from the third quarter of 2024, and down 50,000 tonnes, or 34%, compared to the same period in the prior year, principally reflecting the aforementioned indefinite closure of one pulp line at Northwood in August 2024. In the fourth quarter of 2023, NBSK pulp production was reduced by approximately 30,000 tonnes as a result of a delayed restart following Northwood's scheduled maintenance outage.

Pulp unit manufacturing costs experienced a moderate increase compared to the prior quarter primarily driven by lower pulp production, and to a lesser extent, elevated chemical and maintenance costs (timing-related), offset to a degree by reduced energy spend in the current period. Fibre costs were relatively unchanged quarter-over-quarter as the market-based price for sawmill residual chips (linked to Canadian dollar NBSK pulp sales realizations) and the proportion of higher-cost whole log chips compared to sawmill residual chips, were broadly in line with the preceding quarter.

Compared to the fourth quarter of 2023, pulp unit manufacturing costs were slightly higher, as the impact on unit costs of a significant reduction in pulp production was offset in part by reduced energy and maintenance spend in the current period.

51. 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).

Paper production for the fourth quarter of 2024 was 34,000 tonnes, up 4,000 tonnes from the third quarter of 2024, and in line with the fourth quarter of 2023. The former was principally driven by improved productivity following minor mechanical failures in the prior period.

Paper unit manufacturing costs were slightly lower than the third quarter of 2024, largely due to improved paper production quarter-over-quarter, and to a lesser extent, reduced slush pulp costs. Compared to the fourth quarter of 2023, paper unit manufacturing costs saw a moderate increase, primarily driven by higher slush pulp costs (tied to increased Canadian dollar NBSK pulp unit sales realizations), offset in part by lower energy costs and maintenance spend (timing-related).

Unallocated items.

Selected financial information.

(millions of Canadian dollars)		Q4 2024		Q3 2024		Q4 2023
Corporate costs	**$**	**(13.4)**	$	(14.2)	$	(14.0)
Finance income (expense), net	**$**	**(18.8)**	$	(20.3)	$	2.7
Foreign exchange gain (loss) on term debt, duty deposits loan and duty deposits recoverable, net	**$**	**(12.6)**	$	2.6	$	(0.3)
Gain (loss) on derivative financial instruments	**$**	**(8.2)**	$	0.7	$	9.0
Other income, net	**$**	**5.9**	$	4.3	$	4.6

Corporate costs were $13.4 million for the fourth quarter of 2024, down $0.8 million from the previous quarter and down $0.6 million from the same quarter in the prior year, primarily reflecting lower restructuring costs in the current quarter, partially offset by higher head office and general administrative expenses.

Net finance expense of $18.8 million for the fourth quarter of 2024 was down $1.5 million from the previous quarter, principally due to a reduction in interest expense on term debt facilities combined with lower financing fees associated with letters of credit, offset in part by the full quarter impact of interest expense associated with the duty deposits loan during the current quarter. Net finance income of $2.7 million in the fourth quarter of 2023 primarily consisted of interest income related to US-dollar short term investments and, to a lesser extent, accrued interest income associated with recoverable duty deposits, partially offset by interest expenses.

In the fourth quarter of 2024, the Company recognized a net foreign exchange loss of $12.6 million, primarily consisting of a loss of $21.3 million on its US-dollar denominated duty deposits loan, resulting from the weakening of the Canadian dollar at the close of the current quarter compared to the end of September 2024, offset in part, by a gain of $6.0 on its US-dollar denominated duty deposits recoverable and, to a lesser extent, a gain on US-dollar term debt held by its US entities.

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 fourth quarter of 2024, the Company recorded a net loss of $8.2 million, primarily related to unrealized and realized mark-to-market losses on SEK foreign exchange forward contracts.

Other income, net, of $5.9 million in the fourth quarter of 2024 mainly reflected favourable foreign exchange movements on US-dollar denominated working capital balances at the end of the current period compared to the end of the prior quarter, combined with CPPI's receipt of insurance proceeds related to operational downtime experienced at Northwood in recent years. Other income, net, of $4.3 million in the third quarter of 2024 was largely comprised of proceeds on sale of long-term investments, partly offset by unfavourable foreign exchange movements on US-dollar denominated working capital balances. In the fourth quarter of 2023, other income, net, of $4.6 million, was principally related to mark-to-market gains on investments in certain highly liquid funds, partly offset by unfavourable foreign exchange movements on US-dollar denominated working capital balances.

Other comprehensive income.

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

(millions of Canadian dollars)	Q4 2024	Q3 2024	Q4 2023
Defined benefit plan actuarial gain, net of tax	**$ 5.9**	$ 3.7	$ 5.5
Foreign exchange translation differences for foreign operations, net of tax	**$ 98.3**	$ 7.0	$ 10.8
Other comprehensive income, net of tax	**$ 104.2**	$ 10.7	$ 16.3

In the fourth quarter of 2024, the Company recorded a gain of $8.1 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), primarily reflecting a gain associated with the distribution of a plan surplus to members following the final settlement of one of the Company's registered pension plans.

In the third quarter of 2024, the Company recorded a gain of $5.0 million (before tax) related to changes in the valuation of the Company's defined benefit plans (comprised of defined benefit pension plans as well as other benefit plans), largely driven by a higher than anticipated return on plan assets, offset to a degree, by a 0.1% decrease in the discount rate used to value the net defined benefit obligations.

Similarly, in the fourth quarter of 2023, the Company recorded a gain of $7.5 million (before tax) in relation to the changes in the valuation of the Company's defined benefit plans (comprised of defined benefit pension plans as well as other benefit plans), as a 0.6% decrease in the discount rate used to value the net defined benefit obligations was more than offset by higher than anticipated returns on plan assets.

In addition, the Company recorded an accounting gain of $98.3 million in the fourth quarter of 2024 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 $7.0 million in the third quarter of 2024 and a gain of $10.8 million in the fourth quarter of 2023.

Changes in financial position.

At the end of 2024, Canfor had $259.3 million of cash and cash equivalents.

(millions of Canadian dollars, except ratios)	Q4 2024	Q3 2024	Q4 2023
Increase (decrease) in cash and cash equivalents[52]	**$ (267.3)**	$ 103.8	$ (229.7)
Operating activities	**$ 87.9**	$ 51.6	$ (8.4)
Financing activities	**$ (108.8)**	$ 215.5	$ (48.1)
Investing activities	**$ (246.4)**	$ (163.3)	$ (173.2)
Ratio of current assets to current liabilities	**1.9 : 1**	2.2 : 1	2.5:1
Net debt (cash) to total capitalization[53]	**7.8%**	1.4%	(9.1)%
Cumulative duty deposits paid	**$ 996.9**	$ 971.8	$ 931.0

52. Increase (decrease) in cash and cash equivalents shown before foreign exchange translation on cash and cash equivalents.
53. Net debt (cash) to total capitalization is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

The changes in the components of these cash flows are discussed in the following sections:

Operating activities.

Cash generated from operating activities was $87.9 million in the fourth quarter of 2024, compared to cash generated of $51.6 million in the previous quarter and cash used of $8.4 million in the fourth quarter of 2023. The $36.3 million increase in operating cash flows from the prior period primarily reflected improved cash earnings, offset in part by the impact of the receipt of income tax refunds in the third quarter of 2024. Compared to the fourth quarter of 2023, operating cash flows were up $96.3 million, mainly due to higher cash earnings in the current period combined with favourable movements in non-cash working capital balances, as a decline in log and finished lumber inventories at the end of the current period, primarily associated with the permanent closure of BC sawmills in 2024, was combined with a timing-related increase in accounts payable and accrued liabilities balances.

Financing activities.

Cash used from financing activities in the fourth quarter of 2024 was $108.8 million, compared to cash generated of $215.5 million in the previous quarter and cash used of $48.1 million in the fourth quarter of 2023. Financing activities in the current quarter largely consisted of $50.7 million in net cash distributions to non-controlling interests, the majority of which relates to a Vida dividend payment during the current period, combined with a $45.0 million repayment of long-term debt, and, to a lesser extent, lease and interest payments. In the third quarter of 2024, financing activities primarily included proceeds received from a duty deposits loan of $313.8 million, offset in part by a net $80.7 million repayment of the Company's operating loan facilities, and to a lesser extent, share repurchases, lease and interest payments. In the fourth quarter of 2023, financing activities principally reflected a $46.0 million repayment of long-term debt, offset in part by a net $26.5 million draw-down of the Company's operating loan facilities. (refer to the "Liquidity and Financial Requirements" section for further details).

Investing activities.

Cash used for investing activities was $246.4 million for the current quarter, compared to $163.3 million for the previous quarter and $173.2 million for the same quarter of 2023. Investing activities in the current quarter were comprised of capital additions of $136.6 million and the acquisition of an additional 7% of the outstanding shares in Vida for $118.3 million (SEK 916.6 million).

As mentioned, capital additions in the fourth quarter of 2024 were $136.6 million, up $19.9 million from the previous quarter and down $35.5 million from the fourth quarter of 2023. In the lumber segment, current quarter capital expenditures principally reflected ongoing construction costs related to the Company's completed greenfield sawmill in Axis, Alabama, (which came online towards the end of the current quarter) and, to a lesser extent, the wrap up of spend associated with the upgrade and expansion of the Company's Urbana sawmill as well as the commencement of spend at the recently acquired Iron Mountain sawmill in Arkansas. 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.

Selected quarterly financial information.

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Sales and income (loss) (millions of Canadian dollars)								
Sales	$ 1,285.7	$ 1,202.9	$ 1,381.5	$ 1,382.7	$ 1,282.9	$ 1,312.3	$ 1,446.0	$ 1,385.4
Operating income (loss) before amortization, asset write-downs and impairments[54]	$ 52.7	$ (144.4)	$ (98.3)	$ 19.8	$ (89.1)	$ 42.6	$ 41.0	$ (105.7)
Operating loss	$ (45.9)	$ (559.7)	$ (250.8)	$ (85.8)	$ (191.3)	$ (65.1)	$ (66.7)	$ (208.5)
Net loss	$ (62.2)	$ (423.3)	$ (186.4)	$ (64.3)	$ (121.6)	$ (34.7)	$ (48.6)	$ (143.6)
Shareholder net loss	$ (63.3)	$ (350.1)	$ (191.1)	$ (64.5)	$ (117.1)	$ (23.1)	$ (43.9)	$ (142.0)
Per common share (Canadian dollars)								
Shareholder net loss – basic and diluted	$ (0.53)	$ (2.96)	$ (1.61)	$ (0.54)	$ (0.98)	$ (0.19)	$ (0.36)	$ (1.17)
Book value[55]	$ 27.97	$ 27.41	$ 30.32	$ 31.69	$ 32.10	$ 32.89	$ 32.63	$ 33.81
Statistics								
Lumber shipments (MMfbm)[56]	1,270	1,228	1,386	1,371	1,333	1,288	1,406	1,340
Pulp shipments (000 mt)	97	125	145	159	136	142	179	152
Average exchange rate – US$/Cdn$	$ 0.715	$ 0.733	$ 0.731	$ 0.741	$ 0.734	$ 0.746	$ 0.745	$ 0.740
Average exchange rate – SEK/Cdn$	7.708	7.639	7.806	7.706	7.819	8.056	7.833	7.726
Average Western SPF 2x4 #2&Btr lumber price (US$)	$ 435	$ 366	$ 386	$ 446	$ 400	$ 419	$ 358	$ 386
Average SYP (East) 2x4 #2 lumber price (US$)	$ 424	$ 380	$ 354	$ 419	$ 448	$ 452	$ 486	$ 485
Average SYP (East) 2x6 #2 lumber price (US$)	$ 367	$ 270	$ 308	$ 354	$ 333	$ 404	$ 385	$ 420
Average NBSK pulp list price delivered to China (US$)	$ 767	$ 771	$ 811	$ 745	$ 748	$ 680	$ 668	$ 891

54. Amortization includes amortization of certain capitalized major maintenance costs; includes asset write-down and impairment charges of $311.3 million in Q3 2024, and $31.6 million in Q2 2024.
55. 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.
56. 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.

(millions of Canadian dollars, except ratios)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Operating income (loss) by segment:								
Lumber	$ (36.6)	$ (336.2)	$ (230.5)	$ (57.1)	$ (162.2)	$ (1.3)	$ (15.5)	$ (169.7)
Pulp and paper	$ 4.1	$ (209.3)	$ (5.6)	$ (15.7)	$ (15.1)	$ (49.3)	$ (37.9)	$ (25.2)
Unallocated and other	$ (13.4)	$ (14.2)	$ (14.7)	$ (13.0)	$ (14.0)	$ (14.5)	$ (13.3)	$ (13.6)
Total operating loss	$ (45.9)	$ (559.7)	$ (250.8)	$ (85.8)	$ (191.3)	$ (65.1)	$ (66.7)	$ (208.5)
Add: Amortization[57]	$ 98.6	$ 104.0	$ 120.9	$ 105.6	$ 102.2	$ 107.7	$ 107.7	$ 102.8
Add: Asset write-downs and impairments	$ -	$ 311.3	$ 31.6	$ -	$ -	$ -	$ -	$ -
Total operating income (loss) before amortization, asset write-downs and impairments	$ 52.7	$ (144.4)	$ (98.3)	$ 19.8	$ (89.1)	$ 42.6	$ 41.0	$ (105.7)
Add (deduct):								
Non-cash working capital movements, net	$ 8.1	$ (2.1)	$ 145.2	$ (154.7)	$ (18.0)	$ 151.8	$ 152.3	$ (120.0)
Defined benefit plan contributions, net	$ (2.7)	$ (2.0)	$ (3.5)	$ (3.3)	$ (2.5)	$ (2.9)	$ (15.4)	$ (3.4)
Income taxes received (paid), net	$ 8.4	$ 81.1	$ (11.6)	$ (2.9)	$ (0.5)	$ 41.8	$ (17.9)	$ (57.2)
Duties paid (greater) less than accruals[58]	$ 0.8	$ 138.5	$ 40.0	$ 15.4	$ 81.5	$ (22.8)	$ 22.6	$ 19.4
Other operating cash flows, net[59]	$ 20.6	$ (19.5)	$ 43.9	$ 44.7	$ 20.2	$ (4.9)	$ 1.2	$ 40.6
Cash from (used in) operating activities	$ 87.9	$ 51.6	$ 115.7	$ (81.0)	$ (8.4)	$ 205.6	$ 183.8	$ (226.3)
Add (deduct):								
Capital additions, net	$ (136.6)	$ (116.7)	$ (170.4)	$ (103.4)	$ (172.1)	$ (192.9)	$ (142.4)	$ (79.6)
Proceeds from sale of property, plant and equipment and intangible assets	$ 0.7	$ 64.4	$ 5.6	$ 1.9	$ 1.7	$ 2.8	$ 1.8	$ 2.8
Proceeds from duty deposits loan	$ -	$ 313.8	$ -	$ -	$ -	$ -	$ -	$ -
Conversion and changes in term debt, net	$ (45.0)	$ (0.2)	$ -	$ 0.2	$ (46.0)	$ (0.1)	$ (50.1)	$ 0.1
Acquisition of El Dorado sawmill	$ -	$ (100.6)	$ -	$ -	$ -	$ -	$ -	$ -
Partial acquisition of Vida non-controlling interest	$ (118.3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Finance expenses paid	$ (8.2)	$ (9.5)	$ (8.5)	$ (8.6)	$ (10.5)	$ (6.7)	$ (10.8)	$ (5.6)
Share purchases	$ (0.6)	$ (0.2)	$ (4.9)	$ (3.3)	$ (9.5)	$ (12.2)	$ (11.5)	$ (11.1)
Purchase of long-term investments, net	$ 3.0	$ (14.8)	$ (1.4)	$ (3.3)	$ (11.4)	$ (48.0)	$ -	$ -
Distributions paid to non-controlling interests, net	$ (50.7)	$ 1.1	$ (15.4)	$ (0.4)	$ -	$ (0.4)	$ (61.9)	$ -
Foreign exchange gain (loss) on cash and cash equivalents	$ 0.8	$ 10.4	$ 5.9	$ (11.3)	$ 19.4	$ 12.4	$ (40.3)	$ 1.8
Other, net[59]	$ (5.2)	$ (0.2)	$ (6.1)	$ (2.5)	$ (0.2)	$ (2.9)	$ (0.3)	$ 5.0
Change in cash / operating loans	$ (272.2)	$ 199.1	$ (79.5)	$ (211.7)	$ (237.0)	$ (42.4)	$ (131.7)	$ (312.9)

57. Amortization includes amortization of certain capitalized major maintenance costs.
58. Adjusted to true-up ADD deposits to the Company's current accrual rates.
59. Further information on cash flows may be found in the Company's annual consolidated financial statements.

Specific items affecting comparability of net loss.

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 for per share amounts)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Shareholder net loss, as reported	$ (63.3)	$ (350.1)	$ (191.1)	$ (64.5)	$ (117.1)	$ (23.1)	$ (43.9)	$ (142.0)
Foreign exchange (gain) loss on term debt	$ (2.7)	$ (3.5)	$ 3.1	$ 6.6	$ (5.3)	$ 6.4	$ (6.7)	$ (0.4)
Foreign exchange loss on duty deposits loan	$ 21.3	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(Gain) loss on derivative financial instruments	$ 4.8	$ 0.2	$ (3.9)	$ 5.8	$ (4.8)	$ (2.7)	$ 6.3	$ (2.5)
Asset write-downs and impairments	$ -	$ 158.7	$ 23.2	$ -	$ -	$ -	$ -	$ -
Net impact of above items	$ 23.4	$ 155.4	$ 22.4	$ 12.4	$ (10.1)	$ 3.7	$ (0.4)	$ (2.9)
Adjusted shareholder net loss[60]	$ (39.9)	$ (194.7)	$ (168.7)	$ (52.1)	$ (127.2)	$ (19.4)	$ (44.3)	$ (144.9)
Shareholder net loss per share (EPS), as reported	$ (0.53)	$ (2.96)	$ (1.61)	$ (0.54)	$ (0.98)	$ (0.19)	$ (0.36)	$ (1.17)
Net impact of above items per share	$ 0.20	$ 1.31	$ 0.19	$ 0.10	$ (0.08)	$ 0.03	$ -	$ (0.03)
Adjusted net loss per share[60]	$ (0.33)	$ (1.65)	$ (1.42)	$ (0.44)	$ (1.06)	$ (0.16)	$ (0.36)	$ (1.20)

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

Outlook.

Lumber.

Looking ahead, continued volatility in global lumber market conditions is anticipated through the first half of 2025 despite longer-term underlying fundamentals remaining solid. In North America, affordability constraints combined with broader economic and political uncertainty are projected to weigh on demand for both new home construction and repair and remodeling activity in the short-term. On the supply side, permanent mill closures, particularly in Western Canada, along with fibre and market-related curtailments, are anticipated to give rise to some modest pricing improvement through the first quarter and into the second quarter of 2025.

Subsequent to year-end, in March 2025, the preliminary anti-dumping results for the sixth period of review ("POR6") were announced, which indicated that the Company's ADD rate for 2023 was 34.61%. Upon finalization of this rate (anticipated in the third quarter of 2025), the Company's current combined cash deposit rate of 16.58% will be reset to 40.75% (based on this preliminary ADD rate determination of 34.61% combined with the Company's current CVD cash deposit rate of 6.14%). In addition, the DOC is anticipated to release preliminary countervailing results for POR6 on or before May 2025, which are anticipated to further impact the Company's combined cash deposit rate later in 2025.

In addition, in March 2025, US tariffs of 25% have been imposed on Canadian goods and these tariffs will be in addition to the pre-existing CVD and ADD. There is also the potential that further tariffs may be imposed on Canadian forest product imports into the US going forward. With a diversified operating platform in the US South and Sweden, in addition to Canada, the Company is well positioned to mitigate some of these costs. However, actual and potential tariffs do present challenges for the Company's Canadian operations, and, as result, the Company is continuing its strategy of refocusing those products on domestic markets, particularly in Western Canada, and strengthening its presence in offshore markets.

The subdued offshore lumber market conditions in China experienced in the fourth quarter of 2024 are projected to persist through the first quarter of 2025, with continuing headwinds from a depressed real estate sector as the benefits of new government policies remain slow to materialize. In Japan, modest improvement in the multi-family rental and non-residential sectors, coupled with lower import volumes, are anticipated to tighten supply and support a modest uplift in pricing.

In Europe, lumber pricing is forecast to gain some upward momentum in the first quarter of 2025, largely driven by supply constraints in the region following the impact of the spruce beetle, while demand is projected to remain relatively soft, despite some modest improvements in affordability in the region.

In BC, despite the Company's recent changes with regards to its operating footprint, it is anticipated that this region will continue to face challenging operating conditions especially with respect to the availability of economically viable fibre and high duties on lumber shipments to the US.

Pulp and paper.

Looking forward, global softwood pulp market conditions are projected to improve through the balance of the first quarter and into the second quarter of 2025, as global supply dynamics adjust to new hardwood capacity and as pulp producer inventories normalize. On the demand side, steady Chinese demand is anticipated to absorb these changes in supply.

CPPI, like Canfor, continues to monitor the trade situation between Canada and the US and mitigation plans are underway to mostly offset the impact of the tariffs on US shipments.

CPPI remains focused on optimizing its operating footprint, enhancing operational reliability as well as closely managing manufacturing and fibre costs. Looking forward, there remains significant uncertainty with regards to the availability of economically viable fibre within BC. As a result, CPPI continues to anticipate that escalating log cost pressures and transportation costs in BC will translate into a higher cost fibre supply for its pulp mills (both for sawmill residual chips and whole log chips). CPPI will continue to evaluate operating conditions and adjust operating rates at its pulp mills to align with economically viable fibre supply. These factors could also affect CPPI's operating plan, liquidity, cash flows and the valuation of long-lived assets.

No major maintenance outages are planned for the first and second quarters of 2025. In the third quarter of 2025 a maintenance outage is scheduled at Northwood with a projected 10,000 tonnes of reduced NBSK market pulp production. In the fourth quarter of 2025, a maintenance outage is scheduled at Intercon, with a projected 5,000 tonnes of reduced NBSK market pulp production.

Demand for bleached kraft paper is projected to remain steady through the remainder of the first quarter of 2025. A maintenance outage is currently planned at the Company's paper machine in the fourth quarter of 2025 with a projected 5,000 tonnes of reduced paper production.

Non-IFRS financial measures.

Throughout this 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)	Q4 2024	Q3 2024	YTD 2024	Q4 2023	YTD 2023
Reported operating loss	**$ (45.9)**	$ (559.7)	**$ (942.2)**	$ (191.3)	$ (531.6)
Asset write-down and impairment – lumber segment	**$ -**	$ 100.3	**$ 131.9**	$ -	$ -
Asset write-down and impairment – pulp and paper segment	**$ -**	$ 211.0	**$ 211.0**	$ -	$ -
Inventory write-down (recovery), net[61]	**$ (36.1)**	$ (14.8)	**$ (29.7)**	$ (41.1)	$ (57.2)
Adjusted operating loss	**$ (82.0)**	$ (263.2)	**$ (629.0)**	$ (232.4)	$ (588.8)
One-time items – lumber segment:					
Restructuring and closure costs[62]	**$ 4.9**	$ 36.5	**$ 74.0**	$ -	$ 12.2
Gain on sale of assets, net[63]	**$ -**	$ (34.9)	**$ (34.9)**	$ -	$ -
Duty expense (recovery) related to finalized rates[64]	**$ -**	$ 67.2	**$ 67.2**	$ -	$ (43.3)
Duty expense related to refined fair value measurement[65]	**$ -**	$ 53.4	**$ 53.4**	$ -	$ -
One-time items – corporate restructuring costs[62]	**$ 0.6**	$ 2.1	**$ 2.7**	$ -	$ -
Adjusted operating loss before one-time items	**$ (76.5)**	$ (138.9)	**$ (466.6)**	$ (232.4)	$ (619.9)
Amortization	**$ 98.6**	$ 104.0	**$ 429.1**	$ 102.2	$ 420.4
Adjusted operating income (loss) before amortization and one-time items	**$ 22.1**	$ (34.9)	**$ (37.5)**	$ (130.2)	$ (199.5)

61. For the lumber segment, a $36.1 million net reversal of a previously recognized inventory write-down was recorded in Q4 2024 (Q3 2024 – $14.8 million net reversal of a previously recognized inventory write-down, Q4 2023 – $30.2 million net reversal of a previously recognized inventory write-down). For the pulp and paper segment, no inventory valuation adjustment was recognized in Q4 2024 and Q3 2024 (Q4 2023 – $10.9 million net reversal of a previously recognized inventory write-down).

62. Restructuring and closure costs of $5.5 million ($4.9 million in the lumber segment and $0.6 million in the unallocated segment), were recognized in Q4 2024 largely related to the permanent closure of the Jackson and Mobile sawmills in the US South (Q3 2024 – restructuring and closure costs of $38.6 million, $36.5 million in the lumber segment related to the permanent closures of Plateau and Fort St. John and $2.1 million in the unallocated segment; Q4 2023 – no restructuring and closure costs were recognized).

63. On September 9, 2024, the Company completed the sale of its remaining Mackenzie sawmill assets and associated forest tenure to the McLeod Lake Indian Band and Tsay Keh Dene Nation for total proceeds of $66.5 million. As a result of this transaction, as well as other asset sales in the period, a net gain on sale of $34.9 million was recognized in Q3 2024.

64. A duty expense of $67.2 million (US$48.6 million) was recognized in Q3 2024 following the finalization CVD and ADD rates applicable to POR5.

65. In Q3 2024, the Company refined its estimate of the fair value measurement of net duty deposits recoverable. In accordance with IFRS Accounting Standards, this change in accounting estimate was applied on a prospective basis.

(millions of Canadian dollars, except ratios)	2024	2023
Reported operating loss	**$ (942.2)**	$ (531.6)
Realized (gain) loss on derivative financial instruments	**$ 3.4**	$ (4.2)
Other income, net	**$ 32.9**	$ 19.9
Less: non-controlling interests	**$ 68.8**	$ 39.0
Loss	**$ (837.1)**	$ (476.9)
Average invested capital[66]	**$ 4,171.7**	$ 4,166.9
Return on invested capital (ROIC)	**(20.1)%**	(11.4)%

66. 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 December 31, 2024	As at December 31, 2023
Term debt	**$ 120.6**	$ 159.9
Duty deposits loan	**$ 335.1**	$ -
Operating loans	**$ 106.8**	$ 110.6
Less: cash and cash equivalents	**$ 259.3**	$ 627.4
Net debt (cash)	**$ 303.2**	$ (356.9)
Total equity	**$ 3,583.8**	$ 4,277.4
Total capitalization	**$ 3,887.0**	$ 3,920.5
Net debt (cash) to total capitalization	**7.8%**	(9.1)%

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, as well as the determination of the Company's estimated ADD net duty deposits 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 9 and 29 of the consolidated financial statements.

Employee future benefits.

Canfor has several funded and unfunded defined benefit plans, defined contribution plans and other non-pension post-retirement benefit plans, that provide benefits to most of its salaried employees and certain hourly employees not covered by forest industry union plans. Canfor also provides certain health care benefits and pension bridging benefits to eligible retired employees. The costs and related obligations of the pension and other retirement benefit plans are accrued in accordance with the requirements of IFRS Accounting Standards.

Canfor uses independent actuarial firms to perform actuarial valuations of the fair value of pension and other retirement benefit plan obligations. The application of IFRS requires judgments regarding certain assumptions that affect the accrued benefit provisions and related expenses, including the discount rate used to calculate the present value of the obligations, the rate of compensation increases, mortality assumptions, and the assumed health care cost trend rates. Management evaluates these assumptions quarterly based on experience and the recommendations of its actuarial firms. Changes in these assumptions result in actuarial gains or losses, which are recognized in full in each period with an adjustment through other comprehensive income (loss).

The actuarial assumptions used in measuring Canfor's benefit plan provisions and benefit costs are as follows:

	December 31, 2024		**December 31, 2023**	
	Defined Benefit Pension Plans	**Other Benefit Plans**	Defined Benefit Pension Plans	Other Benefit Plans
Discount rate	**4.7%**	**4.7%**	4.6%	4.6%
Rate of compensation increases	**2.0%**	**n/a**	2.0%	n/a
Initial medical cost trend rate	**n/a**	**5.0%**	n/a	5.0%
Ultimate medical cost trend rate	**n/a**	**4.5%**	n/a	4.5%
Year ultimate rate is reached	**n/a**	**2031**	n/a	2031

In addition to the significant assumptions listed in the table above, the average life expectancy of a 65-year-old at December 31, 2024 is between 21.4 years and 24.5 years. As at December 31, 2024, the weighted average duration of the defined benefit obligation, which reflects the average age of the plan members, is 13.0 years. The weighted average duration of the other benefit plans is 11.1 years.

Assumed discount rates, medical cost trend rates and mortality assumptions have a significant effect on the accrued benefit obligation and related plan assets. A one percentage point change in these assumptions would have the following effects on the accrued retirement benefit obligation for 2024:

(millions of Canadian dollars)	1% Increase	1% Decrease
Defined benefit pension plan liabilities		
Discount rate	$ (20.0)	$ 24.2
Other benefit plan liabilities		
Discount rate	$ (6.2)	$ 7.4
Initial medical cost trend rate	$ 2.8	$ (2.7)

With respect to this discount rate sensitivity effect on the defined benefit pension plan liabilities, however, it is noted that 39% is partially offset through the plan's investment in debt securities.

Annuity contracts.

In 2024, the Company purchased buy-out annuities for a portion of its defined benefit pension plans. As a result, $159.1 million of the accrued benefit obligation and a similar amount of defined benefit plan assets were derecognized from the Company's consolidated balance sheet.

Deferred reforestation.

Canfor accrues an estimate of its future liability to perform forestry activities, defined to mean those silviculture treatments or activities that are carried out to ensure the establishment of a free-growing stand of young trees, including logging road rehabilitation on its forestry tenures in BC and Alberta. An estimate is recorded in the consolidated financial statements based on the number of hectares of timber harvested in the period and the estimated costs of fulfilling Canfor's obligation. Payments in relation to reforestation are expected to occur over periods of up to 15 years and have been discounted accordingly at risk-free rates ranging from 2.6% to 3.4%. The actual costs that will be incurred in the future may vary based on, among other things, the actual costs at the time of silviculture activities.

Asset retirement obligations.

Canfor records the estimated fair value of a liability for asset retirement obligations, such as landfill closures, in the period when it is incurred. For landfill closure costs, the fair value is determined using estimated closure costs discounted over the estimated useful life. Canfor's asset retirement obligations represent estimated undiscounted future payments of $14.6 million to remediate landfills at the operations at the end of their useful lives. Payments relating to landfill closure costs are expected to occur at periods ranging from 2 to 42 years and have been discounted at risk-free rates ranging from 3.0% to 3.4%. The actual closure costs and periods of payment may differ from the estimates used in determining the year-end liability. On initial recognition, the fair value of the liability is added to the carrying amount of the associated asset and amortized over its useful life. The liability is accreted over time through charges to earnings and reduced by actual costs of settlement.

CPPI's asset retirement obligations represent estimated undiscounted future payments of $9.3 million to remediate landfills at the operations at the end of their useful lives. The payments are expected to occur at periods ranging from 2 to 27 years and have been discounted at risk-free rates ranging from 3.0% to 3.4%.

Canfor and CPPI has certain assets that have indeterminable retirement dates and, therefore, there is an indeterminate settlement date for the related asset retirement obligations. As a result, no asset retirement obligations are recorded for these assets. These assets include wastewater and effluent ponds that will have to be drained once the related operating facility is closed and storage sites for which removal of chemicals, fuels and other related materials will be required once the related operating facility is closed. When the retirement dates of these assets become determinable and an estimate can be made, an asset retirement obligation will be recorded. It is possible that changes in future conditions could require a material change in the recognized amount of the asset retirement obligations.

Environmental remediation costs.

Costs associated with environmental remediation obligations are accrued and expensed when there exists a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are discounted to their present value when the amount and timing of expected cash payments are reliably determinable.

Asset write-downs and impairments.

The Company reviews the carrying values of its long-lived assets, including timber licenses, property, plant and equipment and right-of-use assets, on a regular basis as events or changes in circumstances may warrant. An impairment loss is recognized in net income (loss) at the amount that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In connection with the previously highlighted closure announcements, as well as the ongoing uncertainty with respect to the availability of economic fibre, the Company determined there were indicators of impairment at certain of its Western Canadian lumber operations for the year ended December 31, 2024.

The recoverable amount of the timber licenses and property, plant and equipment within the Western Canadian lumber operations was determined based on the higher of fair value less costs to sell and value in use. A discounted cash flow model was used to estimate value in use. This discounted cash flow model was projected based on past experience as well as Management's assessment of future trends in the forest industry, based on external and internal sources of data. Assumptions include future production volumes, commodity prices, log and production costs, the discount rate, applicable foreign exchange rates, operating rates of the assets, and the future capital required to maintain the assets for their current operating conditions. Estimated future cash flows were discounted at a rate of 11% (15% before tax), based on the Company's weighted average cost of capital in that area for 2024.

In addition, because of ongoing uncertainty surrounding economic fibre availability, heightened by the recent sawmill closure announcements in the BC Interior, CPPI performed an impairment assessment for the year ended December 31, 2024 on the property, plant and equipment of its pulp and paper segment. The recoverable amount of CPPI's property, plant and equipment within its pulp and paper operations was determined based on the higher of fair value less costs to sell and value in use. A discounted cash flow model was used to estimate value in use. This discounted cash flow model was projected based on past experience as well as Management's assessment of future trends in the pulp industry, based on external and internal sources of data. Significant assumptions include future production volumes, commodity prices, fibre and production costs, as well as the discount rate. Other assumptions include applicable foreign exchange rates, operating rates of the assets, and the future capital required to maintain the assets for their current operating conditions. Estimated future cash flows were discounted at a rate of 9% (12% before tax), based on CPPI's weighted average cost of capital for 2024.

As previously indicated, as a result of these announced closures, as well as the aforementioned impairment assessments, an asset write-down and impairment charge totaling $342.9 million was recognized for the year ended December 31, 2024. Of the $342.9 million, $131.9 million was recognized as a reduction of the carrying value of the Company's Western Canadian lumber operations and $211.0 million as a reduction to the carrying value of CPPI's pulp assets within the pulp and paper segment.

CPPI continues to closely monitor the direct and indirect impacts associated with the constraints on economic fibre, especially in the near-term. If the availability of economically viable fibre within BC is further reduced, CPPI's production, shipments and cost structure will be further affected. These factors could impact CPPI's operating plan, liquidity, cash flows and the valuation of long-lived assets.

Impairment of goodwill.

Goodwill, which is the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired, is not amortized, but is assessed annually for impairment, or more frequently if events or circumstances indicate that it may be impaired. Canfor's goodwill relates to its US, European and Canadian subsidiaries and is denominated in US-dollars, SEK and Canadian dollars, respectively.

Goodwill is allocated separately to each of the Company's cash generating units and tested at that level for impairment purposes. The recoverable amount of goodwill is determined based on an assessment of value in use, estimated using discounted cash flow models. Key assumptions used in the cash flow models include forecast prices and foreign exchange rates, which Management determined with reference to both internal and external publications. For the 2024 goodwill impairment assessments, a discount rate of 10% for the US and Europe and 11% for Canada (13% before tax for the US, 12% before tax for Europe, and 15% before tax for Canada) was utilized, based on the Company's current weighted average cost of capital.

In this analysis prepared by Management, the net present value of future expected cash flows was compared to the carrying value of the Company's investment in these assets, including goodwill, at year end, with no impairment of goodwill required at December 31, 2024. If actual results are materially lower than the forecast assumptions, there is a possibility that an impairment of goodwill may be required in future periods.

Valuation of log and finished product inventories.

Log and finished product inventories are recorded at the lower of cost and net realizable value. The cost of inventories of solid wood products is based on the weighted average cost principle, and includes raw materials, direct labour, other direct costs, and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. Canfor estimates the net realizable value of solid wood products by taking into account actual and forecasted sales orders, as well as outlook prices and forecast exchange rates for the period over which the inventories are expected to be sold. Outlook prices are determined using Management's estimates at the end of the period and may differ from the actual prices at which the inventories are sold.

Deferred taxes.

In accordance with IFRS, Canfor recognizes deferred income tax assets when it is probable that the deferred income tax assets will be realized. This assumption is based on Management's best estimate of future circumstances and events. If these estimates and assumptions are changed in the future, the value of the deferred income tax assets could be reduced or increased, resulting in an income tax expense or recovery. Canfor re-evaluates its deferred income tax assets on a regular basis.

Risks and uncertainties.

Risks and uncertainties fall into the general business areas of markets, international commodity prices, competition, currency exchange rates, environmental issues, forest land base, government legislation and regulations, public policy, and labour disputes, and, for Canadian companies, a history of trade disputes and issues and Indigenous land claims. The future impact of the various uncertainties and potential risks described in the following paragraphs (together with the risks and uncertainties identified under each of the Company's business segments) cannot be quantified or predicted with certainty. However, Canfor does not foresee unmanageable adverse effects on its business operations and believes that it is well positioned to deal with such matters as may arise. The risks and uncertainties are set out in alphabetical order.

Climate change.

The Company's operations are subject to risks and opportunities related to climate change. These risks include, but are not limited to, chronic and acute physical risks such as the increasing frequency and severity of weather conditions, forest fires, hurricanes, and timber diseases and insect infestations. These events could damage or destroy the Company's operating facilities, adversely affect Canfor's timber supply, or result in reduced transportation availability. These events could have a similar effect on the facilities of the Company's suppliers and customers. Any of the damage caused by these events could increase costs and decrease production capacity at the Company's operations, having an adverse effect on the Company's financial results. The Company believes there are reasonable internal processes and insurance arrangements in place to mitigate or cover certain outcomes of such incidents; however, there is no guarantee that these arrangements will fully protect the Company against such losses. As is common practice in the industry, the Company does not insure loss of standing timber for any cause.

There are also transition risks associated with climate change. These include changes in laws, regulations and industry standards associated with greenhouse gas emissions management, non-regulatory pressure to reduce greenhouse gas emissions, and the risk that the Company may not achieve its publicly stated sustainability targets. The Company monitors all regulatory changes including any climate-related regulations, as well as monitoring progress towards targets, to assess their impact on operations. Canfor's operations in Canada will be subject to increasing costs associated with carbon related taxes and will be actively working to mitigate through investment in technology and operational efficiency projects.

The Company has undertaken a qualitative Climate Scenario Analysis to better understand the effects of specific climate-related physical and transition risks on specific asset types. The Company considers adaptation and mitigation strategies to manage and reduce greenhouse gas emissions and has established a decarbonization roadmap. However, there is no guarantee that these efforts will be effective, and these risks may lead to increased capital expenditures or payment of carbon taxes or other events that could adversely affect operations or financial conditions.

Competitive markets.

The Company's products are sold primarily in the US, Canada, Europe and Asia. These global markets are highly competitive, with numerous companies selling into each region. The Company's competitive position is influenced by the price, availability, quality and cost of its raw materials, as well as production and transportation costs. Additionally, the capabilities and productivity of its operating facilities and customer service relative to its competitors play a crucial role. Market dynamics, including global trade agreements and government relations, also impact on the competitive position of companies in these regions. These factors include free trade, global demand, supply chains, production input costs and transportation, especially amid geopolitical tensions and events. Such factors could potentially limit market growth opportunities or limit Canfor's ability to serve its customers. An unfavourable settlement of the Softwood Lumber Agreement could also result in a material increase in duty expenditures. Additional details are provided in the "Softwood lumber agreement" section below. Canfor continues to monitor the trade situation between Canada and the US and mitigation plans are underway to mostly offset the impact of the tariffs on US shipments. With Canfor's geographic diversified operating platform, in Canada, the US South and Sweden, as well as its high quality, specialty product offering and market diversification, the Company is well-positioned to respond to actual and potential tariffs.

Cyclicality of product prices.

The Company's financial performance is dependent upon the selling prices of its products, which have fluctuated significantly in the past. The markets for these products are cyclical and may be characterized by (i) periods of excess product supply due to industry capacity additions, variable production rates or capacity utilization and other factors, some of which affect the Company at the present time; and (ii) periods of insufficient demand due to weak general economic conditions. The economic climate of each region where the Company's products are sold has a significant impact upon the demand, and therefore the prices for lumber as well as pulp and paper.

Environmental issues.

Canfor's North American operations are subject to environmental regulation by Canada and United States federal, provincial, state, and local authorities, including specific environmental regulations relating to air emissions and pollutants, wastewater (effluent) discharges, solid waste, landfill operations, forestry practices, site remediation and the protection of endangered species and critical habitat. The Company's European operations are subject to laws and regulations of the Swedish Government including the *Swedish Environmental Code* and more broadly, the European Union, with its forest operations governed by the *Swedish Forestry Act*, and the *Swedish Environmental Code*.

Canfor has incurred, and will continue to incur, capital, operating, and other expenditures to comply with these applicable environmental laws and regulations. No assurance can be given that changes in these laws and regulations or their application will not have a material adverse effect on Canfor's business, operations, financial condition and operational results. Similarly, no assurance can be given that capital expenditures necessary for future compliance with existing and new environmental laws and regulations could be financed from Canfor's available cash flow. In addition, Canfor may discover currently unknown environmental issues, contamination, or conditions relating to historical or present operations. This may require site or other remediation costs to maintain compliance or remedy issues or result in governmental or private claims for damage to a person, property, or the environment, which could have a material adverse effect on Canfor's business, financial condition, and operational results.

Canfor has systems in place to identify, account for and appropriately address potential environmental liabilities. The Company also has governance in place including an Environmental, Health and Safety Committee of the Board, a Governance and Sustainability Committee, and environmental professionals to manage potential risks, issues, and liabilities.

Canfor has in place internal policies and procedures under which all its forestry and manufacturing operations are regularly audited for compliance with laws and accepted standards and with its environmental management system requirements. CPPI's pulp mills and Canfor's woodlands operations and wood product facilities employ environmental management systems, and CPPI's operations are certified under the ISO 14001 Environmental Management System Standard. Further, all (100%) of Canfor's forest tenures in Canada are third party certified to the Sustainable Forestry Initiative ("SFI"), or the Forest Stewardship Council ("FSC") sustainable forest management standards. All sourced wood in the North American operations are certified to the SFI Fiber Sourcing Standard. The Company's European operations comply with their internal environmental policies and employ environmental management systems, with raw materials certified through the FSC in Sweden and Program for the Endorsement of Forest Certification ("PEFC").

Canfor's operations and its ability to sell its products could be adversely affected if those operations did not, or were perceived by the public as failing to, comply with applicable laws and standards and following responsible environmental and sustainable forest management practices. Further discussion of environmental issues is included in the Company's Annual Information Form, incorporated by reference herein.

Fibre cost and availability.

The Company's fibre costs are affected by several factors which could significantly impact operating results. Lumber market fluctuations, access to economically viable fibre and log market bidding each play a significant role in both fibre supply and costs.

In Western Canada, harvesting operations have transitioned away from Mountain Pine Beetle ("MPB") impacted timber stands (see "Forest health" below for more commentary regarding MPB). The allowable annual cut ("AAC") in BC, in particular, has been reduced in many areas, which has exacerbated the log supply and demand imbalance. As a result of these and other factors influencing fibre availability, the existing manufacturing capacity in many areas of the BC Interior continues to exceed the available timber supply. Until this imbalance is corrected, Canfor expects to see a continuation of higher log costs in BC for the foreseeable future.

Canfor's ability to access timber could also be impacted by unsettled rights and title claims by various Indigenous Nations in BC. The BC *Declaration on the Rights of Indigenous People Act* was enacted in November 2019 based on the United Nations' *Declaration on the Rights of Indigenous Peoples*. Among other things, it outlines the BC Government's commitment to achieve free, prior, and informed consent of Indigenous Nations in connection with government approval of resource-based projects (for additional discussion of this legislation, see the "Indigenous relations" section below).

In 2021, the BC Government announced its intention to defer the harvest of 2.6 million hectares of BC's old-growth forests. Initial industry-wide analysis indicated that these deferrals would result in a decline of the Timber Harvesting Land Base of 1.4 million hectares and a corresponding reduction in AAC of approximately 4.0 million cubic metres, of which 70% of this reduction is in the BC Interior. Also, in 2021, the BC Government introduced legislation affecting not only forestry operations planning activities, which could affect the cost of Canfor's operations, but also its intent to redistribute tenure harvesting rights from forest tenure holders such as Canfor. The implications associated with these and other government policy and legislative amendments on the Company's operations are not yet fully understood but are anticipated to be significant.

In addition, the Company's ability to harvest fibre for use in its operations could be adversely impacted by natural events such as forest fires, severe weather conditions, or insect infestations. In the event that sufficient volumes of economically viable fibre are not available for an operation, it may be necessary to close that operation for a period of time, perhaps permanently. In 2024, the Company announced the permanent closure of its Polar and Plateau sawmills, as well as its Fort St. John sawmill and pellet plant facility, as a result of the persistent challenge to source sufficient volume of economically viable fibre in BC. These disruptions and closures resulted in significant costs to the Company. The Company is not insured for loss of standing timber.

In the Company's US South and European operations, fibre requirements are satisfied primarily through log purchases on open markets, principally from private timber owners. The prices for these fibre purchases are subject to adverse weather and other market forces, including regional demand, which may reduce the available log supply and subsequently put upward pressure on log prices, negatively impacting the Company's results. In addition, decreased demand, primarily from pulp, paper, and pellet mills for residual products produced by the Company's operations, may adversely impact the prices received for those residual products, which could negatively impact results.

Financial risk management and earnings sensitivities.

Canfor is exposed to a number of risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk.

Canfor's internal Risk Management Committee manages risk in accordance with a Board approved Price Risk Management Controls Policy. This policy provides the framework for risk management related to commodity price, foreign exchange, interest rate and counterparty credit risk of Canfor.

(*a*) *Credit Risk:*

Credit risk is the risk of financial loss to Canfor if a counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments that are subject to credit risk include cash and cash equivalents, trade and other receivables, as well as certain investments and advances. Contract assets are also subject to credit risk. Cash and cash equivalents include cash held through major Canadian and international financial institutions as well as temporary investments that are readily convertible into known amounts of cash within three months or less from the date of acquisition. The cash and cash equivalents balance at December 31, 2024 was $259.3 million.

Canfor utilizes credit insurance to mitigate the risk associated with some of its trade receivables. As at December 31, 2024, approximately 68% of the outstanding trade receivables are covered by credit insurance. Canfor's trade receivable balance at December 31, 2024 was $322.7 million, before a loss allowance of $4.4 million. At December 31, 2024, approximately 94% of the trade receivable balance are within Canfor's established credit terms.

(*b*) *Liquidity risk:*

Liquidity risk is the risk that Canfor will be unable to meet its financial obligations as they come due. Canfor manages liquidity risk through regular cash flow forecasting in conjunction with adequate operating loan and term debt facilities.

At December 31, 2024, Canfor had $106.8 million drawn on its operating loans and facilities and $54.2 million reserved for several standby letters of credit, leaving $1,321.6 million available and undrawn. As a result, including cash and cash equivalents of $259.3 million, at December 31, 2024, Canfor had available liquidity of $1,580.9 million. The Company also had accounts payable and accrued liabilities of $724.1 million, term debt of $120.6 million and a duty deposit loan of $335.1 million as at December 31, 2024. For details of the Company's term debt obligations and maturities refer to the "Other commitments" section of this document.

(*c*) *Market risk:*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, foreign currency, and commodity and energy prices.

(*i*) *Interest rate risk:*

Canfor is exposed to interest rate risk through its current financial assets, operating loan facilities and term debt that bear variable interest rates.

Canfor may use interest rate swaps to reduce its exposure to interest rate risk associated with financial obligations bearing variable interest rates. At December 31, 2024, the Company had no interest rate swaps outstanding.

Canfor is also exposed to interest rate risk in relation to the measurement of the Company's pension liabilities.

(*ii*) *Currency risk:*

At a consolidated level, Canfor is exposed to foreign exchange risk related to the US-dollar, as Canfor's products are sold principally in US-dollars. In addition, Canfor holds US-dollar denominated financial assets and liabilities.

An increase (decrease) in the value of the Canadian dollar by US$0.01 would result in a pre-tax: (i) loss (gain) of approximately $1.8 million in relation to working capital balances denominated in US-dollars at year end (including cash, trade receivables and accounts payable); and a (ii) gain (loss) of approximately $5.4 million in relation to term debt and the duty deposits loan denominated in US-dollars. These amounts do not include foreign exchange gains and losses arising from the translation of foreign operations which are recognized in 'Accumulated other comprehensive income' on the Company's consolidated balance sheet.

A portion of the currency risk associated with US-dollar denominated sales is naturally offset by US-dollar denominated expenses. A portion of the remaining exposure is sometimes reduced by foreign exchange collar contracts that effectively limit the minimum and maximum Canadian dollar recovery related to the sale of those US-dollars. At December 31, 2024, the Company had no foreign exchange collar contracts outstanding.

Although Vida primarily transacts in SEK, the Company also sells certain products in US-dollar, GBP, AUD, EUR, and NOK and holds US, SEK and AUD denominated operating loan and term debt facilities and limits its exposure to foreign exchange risk using forward foreign exchange contracts and foreign exchange options. For details of the Company's forward foreign exchange contracts at December 31, 2024, refer to the "Derivative financial instruments" section of this document.

(*iii*) *Commodity price risk:*

Canfor is exposed to commodity price risk principally related to the sale of lumber and related products, pulp and paper. From time to time, Canfor enters into futures contracts on the Chicago Mercantile Exchange for lumber and forward contracts direct with customers or on commodity exchanges for pulp. Under the Company's Price Risk Management Controls Policy, up to 15% of lumber sales and 1% of pulp sales may be sold in this way. Canfor is also exposed to commodity price risk on the sale of electricity in Canada. Prices are set by third party regulatory bodies. For details of the Company's lumber future contracts at December 31, 2024, refer to the "Derivative financial instruments" section of this document.

(*iv*) *Energy price risk:*

Canfor is exposed to energy price risk relating to purchases of natural gas and diesel oil for use in its operations.

The annual exposure is from time to time hedged up to 100% through the use of floating to fixed swap contracts or option contracts with maturity dates up to a maximum of eighteen months. At December 31, 2024, the Company had no energy fixed swaps or option contracts outstanding.

Earnings sensitivities.

Estimates of the sensitivity of Canfor's pre-tax results to currency fluctuations and prices for its principal products, based on 2025 forecast production, shipments, and year end foreign exchange rates, are set out in the following table:

(millions of Canadian dollars)		Impact on annual pre-tax earnings
Western SPF lumber – US$10 change per Mfbm[67,68]	$	22
SYP lumber – US$10 change per Mfbm[67,68]	$	26
European lumber – SEK100 change per Mfbm[67,68]	$	19
Softwood lumber duties – 5% change[69]	$	18
NBSK Pulp – US$10 change per tonne[70]	$	5
Canadian dollar – 1% change per US-dollar[71]	$	13
Canadian dollar – 1% change per SEK[71]	$	1

67. Based on sales of Canfor-produced products, before softwood lumber duties.
68. Excluding impacts of exchange rate, freight, discounting, potential change in fibre costs and other deductions.
69. Based on a 5% increase in the combined CVD and ADD deposit rate for 2025.
70. Includes 100% of CPPI.
71. A 1% increase in the Canadian dollar per US-dollar or SEK results in a decrease to pre-tax annual earnings. A 1% decrease in the Canadian dollar per US-dollar or SEK results in an increase to pre-tax annual earnings.

Forest health.

The MPB epidemic has run its course in BC and the provincial Chief Forester has subsequently reduced the AAC to account for the decline of sawlog quality timber. The Company anticipates that the majority of MPB-induced AAC reductions have culminated and the provincial AAC will now level out at or near current levels, for the foreseeable future.

Given the enormous extent and severity of the infestation, the mid-term and long-term operational and financial impacts on Canfor may be significant. In response, the Company has taken various steps to mitigate its exposure to these impacts by modifying manufacturing and harvesting operations as follows: repurposing its existing manufacturing facilities to optimize the harvest of green, non-pine leading stands and by permanently closing several manufacturing facilities throughout northern BC. In addition, the Company has taken steps to fully utilize as much of the residual non-sawlog fibre it harvests by redirecting this to its whole log chipping operations located in Prince George and Skookumchuk.

in Alberta, with MPB populations subsiding to historic and endemic levels, detection, survey and control programs have been focused on the southern part of the province where larger, but steadily declining regional populations still exist. General industry and government experts agree that the province has now seen a transition from an epidemic to an endemic population state. Most of the recent infestations can be found in the Bow Valley and Exshaw corridors between and around Banff and Calgary. Recent survey data from 2023 indicated these populations are also on the verge of collapse. For the immediate future, the threat and risk of MPB mortality appears to be low. The province of Alberta continues to monitor populations during peak annual MPB flight periods to establish a population baseline for future monitoring, detection & early control.

Following an accelerated harvest of susceptible pine in most of Canfor's Alberta forest tenure areas since 2009, in conjunction with government control efforts, both of which prevented spread and managed populations throughout the epidemic, there has been no indication of further spread in these areas in recent years. Subsequently, salvage harvest for MPB mortality trees in Canfor's operating areas is near completion with annual harvest levels in affected areas expecting to return to post-epidemic levels by 2026.

Post-MPB, Alberta's forest health focus has since shifted to continued insect & disease detection in provincial forests, assessing causes and impacts of observed aspen dieback, and a renewed interest in tree adaptation and improvement to promote forest resilience.

Once again British Columbia and Alberta each experienced significant wildfire seasons in 2024. In 2024, wildfires burned 705,000 hectares in Alberta and 1.1 million hectares in British Columbia. Although the 2024 wildfire season compared favorably to the 2023 wildfire season, burning 2.2 million hectares in Alberta and 2.8 million hectares in British Columbia, 2024 was the second worst wildfire season on record, with a combined 1.8 million hectares burned. The continuation of significant warming and drying trends combined to create severe drought conditions in much of Western Canada. Canfor is collaborating with government agencies and Indigenous communities to pursue salvage harvesting operations in areas affected by the 2023-24 wildfire seasons. Long-term fibre supply impacts associated with these wildfires will depend on the economic shelf-life of damaged timber and the extent to which salvage harvesting activities can be completed in affected areas. Canfor along with other forest companies and forest sector associations continue to collaborate with the BC and Alberta government on strategies to mitigate wildfire impacts.

Geopolitics, Government and other regulations.

The Company sells its products across Asia, North America and other markets, as noted previously. Global events taking place in any of these jurisdictions could affect the ability of the Company to do business with existing or new customers and suppliers.

In addition, Canfor is subject to a wide range of general and industry-specific forestry and forest practices, environmental, health and safety, building and product standards and other laws and regulations imposed by federal, provincial, and local authorities, including those governing the use, storage, handling, generation, treatment, emission, release, discharge and disposal of certain hazardous materials and wastes, the remediation of contaminated soil and ground water, the use and design values of Canfor's products, the health and safety of employees and the export or import of goods to jurisdictions where the Company sells its products. Further, certain agreements and contracts relating to the ownership or transfer of forestry tenures and licenses are subject to review by applicable regulatory bodies. If Canfor is unable to extend or renew a material license or permit required by such laws, any transfer is challenged by a regulatory body, or if there is a delay in renewing any material license or permit, Canfor's business, financial condition, results of operations and cash flows could be materially adversely affected. In addition, future events such as any changes in these laws and regulations or any change in their interpretation or enforcement, or the discovery of currently unknown conditions, may give rise to additional expenditure or liabilities.

Health & safety.

Canfor prioritizes health and safety throughout the organization and strives to ensure that its employees return home safely at the end of each shift. It does this with a comprehensive framework of inspections, training, tests of equipment and regular preventative maintenance. Despite these efforts, the nature of the Company's operations and failure to follow policies and procedures subject employees to a variety of risks, including those related to wood dust, heavy machinery, and chemicals. Apart from the impact on its people, threats to health and safety could cause interruptions to Canfor's business and have an adverse effect on the Company's reputation, operations, and financial results.

Indigenous relations.

Canfor sources the majority of its fibre from areas subject to claims of Indigenous rights or title. In November 2019, the Government of BC passed legislation (*Declaration on the Rights of Indigenous People Act*) regarding the implementation of the United Nations' *Declaration on the Rights of Indigenous Peoples Act* in BC. The legislation provides for processes for the BC Government to create a path forward that respects the human rights of Indigenous peoples while introducing better transparency and predictability to the work the BC Government and Indigenous peoples do together. This work aims to foster increased and lasting certainty on the land base while ensuring that the benefits of sustainable forest harvesting are realized equitably by those engaged in and impacted by the forestry industry.

In December 2020, the Government of Canada tabled Bill C-15, the federal government's response to implementing the United Nations' *Declaration on the Rights of Indigenous People Act*. The Bill proceeded through the legislative process and was enacted into law in June 2021.

In June 2021, the BC Government released its Draft Action Plan relating to the implementation of the *Declaration on the Rights of Indigenous People Act*, which proposes several new measures. However, these initiatives are described only at a high level. Some of the measures include: a new framework for resource revenue sharing and other fiscal mechanisms to support Indigenous peoples; and the negotiation of joint-decision-making agreements and agreements in which consent from Indigenous governing bodies will be required before the BC Government exercises a statutory decision-making power. Nonetheless, no detail is provided on the scope or content of such agreements, and work is continuing to better define this. Thus, the impacts on the Company's timber harvesting operations of any such future agreements remain uncertain at this time.

Canadian judicial decisions have recognized the continued existence of Indigenous rights and title to lands continuously and exclusively used or occupied by Indigenous groups. In June 2014, the Supreme Court of Canada, for the first time, recognized Indigenous title for the Tsilhqot'in Nation over approximately 1,750 square kilometres of land in central BC ("William decision"). It found that BC's *Forest Act* provisions dealing with the disposition or harvest of Crown timber no longer applied to timber located on these lands, but also confirmed provincial law can apply to Indigenous title lands.

While Indigenous title had previously been assumed to exist over specific, intensively occupied areas such as villages, the William decision marks the first time Canada's highest court has recognized Indigenous title over a particular piece of land and, in so doing, affirmed a broader territorial use-based approach to Indigenous title. The decision also further defines what Indigenous title means and the type of land uses consistent with this form of collective ownership.

Presently, Indigenous title has not been established by law in any areas overlapping Canfor's tenure areas; however, Indigenous rights continue to exist over traditional territories, and there is no assurance that Canfor's timber harvesting rights will not be affected in the future. The Government of BC delegates procedural aspects of consultation to tenure holders, including Canfor, and Canfor works to establish productive and mutually beneficial relationships with Indigenous Nations whose traditional territories overlap Canfor's operating areas. The Government of BC has also taken steps to improve certainty and access to timber resources through interim agreements with Indigenous Nations that include timber rights. Canfor holds numerous agreements with individual Indigenous Nations whereby it manages and/or purchases their timber.

On June 29, 2021, the BC Supreme Court released its decision in *Yahey v British Columbia*, in which it ruled that the Crown had unjustifiably infringed the Treaty 8 rights of the Blueberry River First Nation ("BRFN") in permitting the cumulative impacts of industrial development to meaningfully diminish BRFN's ability to exercise its treaty rights in its traditional territory (the "Blueberry River decision"). The Blueberry River decision has potentially significant implications on regulatory and operational requirements for industrial development activities in northeast BC, where Canfor has operations, and could extend to other areas in Canada where similar claims may be made.

On January 18, 2023, BRFN and the Province of BC reached an agreement that will guide them forward in a partnership approach to land, water, and resource stewardship, including forestry. The agreement includes land restoration, new areas protected from industrial development, and constraints on development activities while a long-term cumulative effects management regime is implemented. Timber harvesting in the Fort St. John Timber Supply Area will be reduced by approximately 350,000 cubic metres per year. The full impacts of the agreement on Canfor are still to be determined, however, negative long-term impacts on fibre availability are anticipated.

The impacts of BC's *Declaration on the Rights of Indigenous Peoples Act*, the federal government's Bill C-15, the William decision, the Blueberry River decision, and other proceedings presently before the courts in BC on the timber supply from public lands and Canfor's operations is unknown at this time, especially as they pertain to Canfor's current timber supply and operational activities on the traditional territory of BRFN and other Indigenous Nations. Also, Canfor does not know if, how, and to the extent these rulings or decisions will lead to changes in BC or federal laws or policies that may affect its forestry operations. However, there is the potential for adverse timber supply and operational implications associated with the outcome of these ongoing negotiations and issues. In alignment with Canfor's values and in an effort to minimize risk, as these negotiations and matters relating to Indigenous rights and title develop, Canfor will actively participate in the new regional forest landscape planning process and continue to engage with Indigenous Nations and the BC Government to seek opportunities for mutually beneficial partnerships, collaboration, and improved certainty in order to minimize risks to Canfor's tenures and operational activities.

Inflation.

Canfor relies on logs, wood chips, chemicals, gas, electricity, transportation, and labour in its operations. Continued inflationary pressure on these goods and services will increase Canfor's operating costs and reduce operating margins. There is no guarantee that the effects of these cost pressures would be fully offset through price increases, productivity improvements, or cost-reduction initiatives.

Information technology.

Canfor's information technology systems serve an essential role in the operation of its business. Canfor relies on various technologies to access fibre, operate its production facilities, interact with customers, vendors, and employees, and report on its business. Interruption, failure or unsuccessful implementation and integration of Canfor's information technology systems could result in material and adverse impacts on the Company's financial condition, operations, production, sales, and reputation. It could also result in environmental and physical damage to Company operations or surrounding areas.

Canfor's information technology systems and networks could be interrupted or fail due to a variety of causes, such as natural disasters, fire, power outages, vandalism, or cyber-based attacks. Any such interruption or failure could result in operational disruptions or the misappropriation of sensitive or proprietary data that could subject Canfor to civil and criminal penalties and litigation or have a negative impact on the Company's reputation. There can be no assurance that such disruptions or misappropriations and the resulting repercussions will not negatively impact the Company's cash flows and have a material adverse effect on its business, operations, financial condition, and operational results.

Although to date Canfor has not experienced any material losses relating to cyber risks, there can be no assurance that the Company will not incur such losses in the future. Canfor's risk and exposure cannot be fully mitigated due to the nature of these threats. The Company continues to invest in enhanced technologies to detect and respond to these external threats in addition to developing and enhancing internal controls, policies, and procedures designed to protect systems, servers, computers, software, data, and networks from attack, damage, or unauthorized access remain a priority. Canfor has established a Management Cyber Risk Committee to assess and monitor risk mitigation efforts and to respond to emerging threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to modify or enhance protective measures or investigate and remediate any security vulnerabilities.

Canfor is currently exploring opportunities that will incorporate generative artificial intelligence and machine learning tools ("AI") into its business processes and has established an Artificial Intelligence Usage Policy that sets out the Company's rules and requirements for the responsible, ethical and secure use of AI by all personnel for the protection of the Company, its personnel and business partners and to mitigate the risk of misuse, unethical outcomes, potential biases, inaccuracies, loss of personal information or other confidential information, and cybersecurity breaches. All personnel are prohibited from using AI or AI tools for any Company business unless the requirements set out in this policy are met.

Labour agreements and competition for professional skilled labour.

Any labour disruptions and costs associated with labour disruptions at the Company's mills could have a material adverse effect on the Company's production levels and results of operations. Any inability to negotiate acceptable contracts with its unions as they expire could result in a strike or work stoppage by the affected workers and increased operating costs as a result of higher wages or benefits paid to unionized workers.

A collective agreement with the United Steelworkers ("USW"), which represents the majority of the workers of Canfor's sawmills in BC, except as noted below, expired on June 30, 2023. A new collective agreement with the USW was ratified in September 2024 and will expire on June 30, 2027.

In 2022, Canfor negotiated its labour agreement with Unifor at its Grande Prairie lumber operation; the new agreement was ratified on January 8, 2023 and will expire on October 1, 2028.

For the Company's European lumber operations, 43% of workers are represented by GS, with the current agreements effective from April 1, 2023 to March 31, 2025. Ongoing negotiations with the unions are actively underway, which is anticipated to be ratified by April 1, 2025. The Company's operations in the US South are not unionized.

Labour agreements with the Unifor and the Public and Private Workers of Canada ("PPWC") covering CPPI's operations were ratified in February 2022 and will expire on April 30, 2025. CPPI anticipates bargaining will commence with Unifor and PPWC on or before the current contracts' expiration date.

Maintenance obligations and facility disruptions.

Canfor's manufacturing processes are vulnerable to operational problems that could impair its ability to manufacture its products. Canfor could experience a breakdown in any of its machines or other necessary equipment, and from time to time, planned or unplanned maintenance outages that cannot be performed safely or efficiently during operations must be conducted. Such disruptions could cause a significant loss of production, which could adversely affect Canfor's business, financial condition, and operating results. The Company believes there are reasonable insurance arrangements in place to cover certain outcomes of such incidents; however, there can be no guarantees that these arrangements will fully protect the Company against such losses.

Residual fibre revenues.

Wood chips are a residual product of Canfor's lumber manufacturing process and in northern BC, are primarily sold to CPPI. Residuals and wood waste in southern BC, Alberta, the US South, and Europe are sold primarily to third-party pulp and paper mills and pellet plants. Pricing for residuals is subject to supply and demand in the regions where our sawmill facilities are located. Increased sawmill capacities in these regions could adversely impact market conditions, including residual pricing. Conversely, increased demand from new and existing pellet facilities may help offset downward pressure on pricing.

In northern BC, these chips are the principal raw material utilized by CPPI in its pulp manufacturing operations. If market conditions cause CPPI to cease pulp operations for an extended period, Canfor would have a limited market and/or reduced value for its chip supply, which could affect its ability to run its sawmills economically. Similarly, if lumber market conditions or fibre availability were such that Canfor or other suppliers were unable to provide the current volume of chips to CPPI as a result of AAC reductions, lower sawmill production, or sawmill closures, whether temporary or permanent, CPPI's chip supply, chip cost, and production results could be materially affected.

Bark hog is another residual product of Canfor's lumber manufacturing process. Bark hog has exhibited increasing value to Canfor over the past several years. It is utilized in Canfor's bark-fueled thermal oil energy systems to dry lumber or, in the case of Canfor's cogeneration facilities, to produce heat and electricity. Surplus bark hog is sold predominantly to pulp and bio-energy customers, including CPPI, to be used in the generation of steam to manufacture power and heat.

Softwood lumber agreement.

The Softwood Lumber Agreement between the governments of Canada and the US expired on October 12, 2015, without being renewed or replaced. On November 25, 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, an assertion the Canadian industry and Provincial and Federal Governments strongly deny and have successfully disproven in international courts in the past. Canfor was selected by the DOC as a "mandatory respondent" to the countervailing and anti-dumping investigations and is subject to company-specific countervailing and anti-dumping duties.

On April 24, 2017, the DOC announced its preliminary countervailing duty of 20.26% specific to Canfor, to be posted by cash deposits or bonds on the exports of softwood lumber to the US, effective April 28, 2017, to August 25, 2017. Following this period, CVD duties were not applicable on lumber shipments destined to the US from August 26, 2017 to December 27, 2017. On June 23, 2017, the DOC announced its preliminary anti-dumping duty determination of 7.72% specific to Canfor, to be posted by cash deposits or bonds on the exports of softwood lumber to the US, effective June 30, 2017.

The DOC announced final countervailing and anti-dumping duty determinations on November 2, 2017, while the ITC issued an affirmative determination of injury on December 7, 2017. As a result, Canfor was issued a final ADD rate of 7.28% (after taking account of ministerial errors) effective November 8, 2017, and was subject to countervailing duties on Canadian lumber exports destined to the US at a reduced rate of 13.24%, effective December 28, 2017. Notwithstanding the final rate established in the DOC's investigation, the final liability for assessing CVD and ADD will not be determined until an official administrative review of the respective period is complete.

In early 2020, the DOC announced the preliminary results for the first period of review ("POR1") and finalized the rates on November 24, 2020. The Company's final CVD rate was determined to be 2.94% for 2017 and 2.63% for 2018, while the final ADD rate was 1.99% for the entire first period of review. The DOC's final combined duty and cash deposit rate of 4.62% applied to the Company's Canadian lumber shipments destined to the United States from December 1, 2020, until completion of the administrative review for the second period of review on November 30, 2021.

In May 2021, the DOC announced the preliminary results for the second period of review ("POR2"), which was based on sales and cost data for 2019, and on November 24, 2021, finalized the rates. The Company's final CVD rate was determined to be 2.42%, while the final ADD rate was 17.12%. The DOC's final combined cash deposit rate of 19.54% applied to the Company's Canadian lumber shipments destined to the United States from December 2021 until August 2022 upon completion of the administrative review for the third period of review in August 2022.

In January 2022, the DOC announced the preliminary results for the third period of review ("POR3"), which was based on sales and cost data for 2020, and in August 2022, finalized the rates. The Company's final CVD rate was determined to be 0.95%, while the final ADD rate was 4.92%. The DOC's final combined cash deposit rate of 5.87% applied to the Company's Canadian lumber shipments destined for the United States from August 2022 until the completion of the administrative review for the fourth period of review in July 2023.

In January 2023, the DOC announced the preliminary results for the fourth period of review ("POR4"), which was based on sales and cost data in 2021, and in July 2023, finalized the rates. The Company's final CVD rate was determined to be 1.36%, while the final ADD rate was 5.25%. The DOC's final combined cash deposit rate of 6.61% applied to the Company's Canadian lumber shipments destined to the United States from August 2023 until the completion of the administrative review for the fifth period of review in August 2024.

In February 2024, the DOC announced the preliminary results for POR5, which was based on sales and cost data in 2022, and in August 2024, finalized the rates. The Company's final CVD and ADD rates were determined to be 6.14% and 10.44%, respectively. In August 2024, upon finalization of these POR5 rates, an expense of $67.2 million (US$48.6 million), was recognized in the Company's consolidated financial statements to reflect the difference between the combined accrual rate (11.42% between January and July 2022 and 9.95% for August through to December 2022), and the DOC's final combined rate for POR5 of 16.58%.

In addition, the Company's combined cash deposit rate of 6.61% was reset to the final DOC rates for POR5 of 16.58% and was applied to the Company's Canadian lumber shipments destined to the United States from August 2024 until the completion of the administrative review for the sixth period of review (anticipated mid-2025).

Subsequent to year-end, in March 2025, the DOC announced the preliminary anti-dumping results for the sixth period of review ("POR6"), which indicated that the Company's preliminary anti-dumping duty ("ADD") rate for 2023 was 34.61%. The DOC is anticipated to release preliminary countervailing results for POR6 on or before May 2025.

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. On September 9, 2024, the Canadian Federal Government launched two legal challenges against the US DOC related to the final rates for POR5.

Species at risk.

The Government of Canada, pursuant to its authority under the *Species at Risk Act* ("SARA"), has determined hundreds of wildlife species to be critically imperiled and has listed them as Endangered or Threatened. The Environment and Climate Change Canada ("ECCC") ministry is required under SARA to create and publish a Recovery Strategy for such listed species. In 2012 and 2014, Canada published a Recovery Strategy for the Boreal Caribou (Rangifer Tarandus Caribou – Boreal population) and the Southern Mountain Caribou (Rangifer Tarandus Caribou – Southern Mountain population), each of which is a species native to large tracts of boreal forests in northern BC and Alberta, and of the mountains of BC and the eastern slopes of the Rocky Mountains in Alberta, respectively. The Recovery Strategy identifies critical habitat and prescribes that each Province must develop and implement an action plan to recover the species and protect its critical habitat. If Canada determines that a Province is not providing adequate protection for a species, then Canada reserves the right to levy protection orders prohibiting activities deemed harmful to the species or destructive to its critical habitat.

Canada has entered into separate five-year conservation agreements with BC and Alberta per Section 11 of SARA. In BC, the two parties, along with two Treaty 8 First Nations, subsequently executed the Caribou Recovery Partnership Agreement (the "Partnership Agreement") on February 21, 2020. This 30-year Partnership Agreement encompasses several Caribou herds in the south Peace River region of BC. The Partnership Agreement created the legal obligation for BC to preserve certain sections of land from all resource, commercial, and recreational use, which ultimately resulted in the expansion of an existing Class A Park (finalized on June 14, 2024), where commercial, recreational, and industrial activities are now prohibited. In addition, the Partnership Agreement requires that BC bring forward regulatory measures for approval. These measures will take the form of legal land use objectives that will govern how recreational, commercial, and industrial activities will be allowed to occur. It is expected that these and other initiatives to conserve and protect caribou habitat will ultimately result in a further significant impact to available timber supply and ultimately to the reduction of AAC in the region. The Company continues to work with governments at all levels (federal, provincial, municipal), as well as with Indigenous Nations and with its provincial and national forest associations in an effort to minimize the economic impacts that will result from these land use decisions.

Stumpage rates.

Stumpage is the fee businesses or individuals pay the Government for harvested timber from Crown land in BC. Stumpage rates in BC are determined using a transaction evidence-based timber pricing system known as the Market Pricing System ("MPS"). MPS uses market forces, such as lumber market pricing and the results and characteristics of competitively sold BC Timber Sales ("BCTS") auctions of timber, to establish the market value of timber (and ultimately stumpage rates in BC). For cutting authorities harvested under long-term tenure agreements, an adjustment is made for tenure obligation costs imposed on and incurred by licensees (such as forest management administration and silviculture) before determining final stumpage rates.

The BC Government is scheduled to make its next annual update to the MPS on July 1, 2025. Further changes to the BC Interior market-driven stumpage system and resulting stumpage rates could have a material impact on Canfor's business. The Alberta Government will be reviewing their provincial stumpage rates (timber dues); however, the Company is not aware of any planned material changes at this time.

Transportation services.

While Canfor utilizes its own team of supply chain professionals to oversee and respond to disruptions for the transportation of its products, as well as the delivery of raw materials, it is reliant on railroad, trucking, and shipping third parties to carry out a significant proportion of its transportation operations. If any of Canfor's third-party transportation providers were to fail to deliver the raw materials or products or distribute them in a timely manner, Canfor may be unable to find alternative arrangements to sell those products at full value, or at all, or unable to manufacture its products in response to customer demand, which could have a material adverse effect on Canfor's financial condition and operating results. In addition, if any of these third parties were to cease operations, suffer labour-related disruptions, or cease doing business with Canfor, the Company's operations or cost structure may be adversely impacted. Transportation services may also be affected by seasonal factors, which could impact the timely delivery of raw materials and product distribution to customers and adversely impact Canfor's financial condition and operating results.

Outstanding share data.

At March 6, 2025, there were 118,405,079 common shares issued and outstanding.

Disclosure controls and internal controls over financial reporting.

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related consolidated financial statements was properly recorded, processed, summarized, and reported to the Board of Directors and the Audit Committee. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of these disclosure controls and procedures for the year ended December 31, 2024, and have concluded that they are effective.

The CEO and CFO acknowledge responsibility for the design of internal controls over financial reporting ("ICFR") and confirm that there were no changes in the Company's ICFR during the year ended December 31, 2024, that materially affected, or would be reasonably likely to materially affect, such controls.

Based upon their evaluation of these controls for the year ended December 31, 2024, the CEO and CFO have concluded that these controls are operating effectively.

Additional information about the Company, including its 2024 Annual Information Form, is available at sedarplus.com or at canfor.com.