**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Prepared as of February 12, 2026**

**This Management's Discussion and Analysis ("MD&A") provides a review of financial condition and results of operations as at and for the three and twelve months ended December 31, 2025 ("Q4'25" and "2025", respectively). It should be read in conjunction with the audited consolidated financial statements of Interfor Corporation and its subsidiaries ("Interfor" or the "Company") for the year ended December 31, 2025, and the notes thereto which have been prepared in accordance with IFRS Accounting Standards ("IFRS"). This MD&A contains certain non-generally accepted accounting principles ("GAAP") measures which, within the Non-GAAP Measures section, are discussed, defined and reconciled to figures reported in the Company's audited consolidated financial statements. This MD&A has been prepared as of February 12, 2026.**

**All figures are stated in Canadian Dollars, unless otherwise noted, and references to US$/USD are to the United States Dollar. Figures in the tables may not equal or sum to figures presented elsewhere due to rounding.**

## Forward-Looking Information

This MD&A contains forward-looking information. A statement contains forward-looking information when the Company uses what it knows and expects today, to make a statement about the future. All statements other than statements of historical fact contained in this report constitute forward-looking information including, without limitation: statements regarding the future plans, prospects, objectives and expectations of or involving the Company, as well as information under the headings "Overview of Fourth Quarter, 2025", "Outlook", "Liquidity", "Capital Resources", "Off-Balance Sheet Arrangements", "Accounting Policy Changes" and "Risks and Uncertainties". Generally, but not always, forward-looking information is identifiable by the use of words such as "believe", "expects", "plans", "forecasts", "targets", "outlook", "will", "may", "could", "should", "intends", "projects", "anticipates", "estimates", "continues", and similar words or variations or the negative thereof.

Forward-looking information is used to describe management expectations and plans, and although management believes that the expectations are reasonable, there can be no assurance that they will prove to be correct.

By its nature, forward-looking information requires the Company to make assumptions and, accordingly, forward-looking information is subject to inherent risks and uncertainties, and there is significant risk that the forward-looking information will not prove to be accurate. The Company cautions readers not to place undue reliance on its forward-looking information because a number of factors may cause actual future circumstances, results, conditions, actions or events to differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking information and the assumptions underlying the forward-looking information.

Forward looking information includes assumptions and analyses about the performance of the Company, the markets in which it competes and the prospects and values that are considered in setting its business plan, in evaluating and forecasting its availability of credit capital investments and outlook for operations and financial position, results and cash flow and other plans and objectives and in making related forward-looking statements.

A number of assumptions and factors on which the forward-looking information is based, which could cause actual results to differ materially from the forward-looking information in this report, include but are not limited to, the following: impact of general economic conditions; demand for products and price volatility; softwood lumber trade between Canada and the U.S.; the tariffs and other trade measures recently enacted or proposed by the U.S. administration, and the potential for further escalating trade measures between the U.S., Canada and other jurisdictions, as well as the applicability, scope and timing of any such measures; the timing and value of proceeds received from the disposition of Coastal B.C. forest tenures; availability and cost of logs; availability of credit; competition; currency exchange sensitivity, such as changes in the value of the Canadian dollar relative to the U.S. dollar; government regulation, including environmental legislation; health and safety; Indigenous reconciliation in Canada; information technology and cyber security; labour availability; logistics availability and cost; natural and manmade disasters and climate change; residual fibre revenue; and tax exposures. For a more detailed discussion of these factors and assumptions, see the sections titled "Risks and Uncertainties" and "Critical Accounting Estimates" in this report. The Company cautions readers that this list of factors is not exhaustive and that, when relying on forward-looking information to make decisions with respect to the Company, readers should carefully consider the factors discussed, as well as other uncertainties and potential events, and the inherent risks and uncertainties of forward-looking information. The forward-looking information in this report is based on the assumption that the Company will not be affected by such risks, but if the Company is affected by such risks, the forward-looking information may become inaccurate.

The forward-looking information contained in this report is expressly qualified in its entirety by this cautionary statement. The forward-looking information in this report is based on the Company's expectations at the date of this report and should not be relied upon as representing management's views as of any later date. The Company does not undertake to update any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

## Overview of Fourth Quarter, 2025

Interfor recorded a net loss in Q4’25 of $104.6 million, or $1.59 per share, compared to a net loss of $215.8 million, or $4.19 per share in Q3’25 and a net loss of $49.9 million, or $0.97 per share in Q4’24.

Adjusted EBITDA was a loss of $29.2 million on sales of $600.6 million in Q4’25 versus an Adjusted EBITDA loss of $183.8 million on sales of $689.3 million in Q3’25 and Adjusted EBITDA of $80.4 million on sales of $746.5 million in Q4’24.

Notable items:

- Financing Transactions
    - During and subsequent to Q4'25, Interfor completed a series of financing transactions. Taken together, these transactions significantly enhance Interfor's financial flexibility, bolster liquidity and provide meaningful additional runway as the Company continues to navigate volatile lumber market conditions. At December 31, 2025, Interfor had a net debt to invested capital ratio of 36.5% and had available liquidity of $481.6 million, proforma for the transactions outlined below.
    - In October 2025, the Company completed its previously announced bought deal equity offering, which generated gross proceeds of $143.8 million through the issuance of 14,303,470 common shares.
    - In December 2025, the Company entered into a US$26.0 million letter of credit facility (“LC Facility”), guaranteed by Export Development Canada ("EDC"). Letters of credit under the facility are to be used as collateral for US customs bonds, allowing for increased availability under the Company's Revolving Term Line (“Term Line”).
    - In February 2026, the Company entered into a $30.0 million term loan, guaranteed by the Business Development Bank of Canada. The financing is expected to close in Q1'26 and was arranged through the Government of Canada's Softwood Lumber Guarantee Program.
    - In February 2026, the Company amended its Term Line and its Senior Secured Notes. The amendments include the ability to exclude up to $300.0 million of non-cash asset or goodwill impairment charges from January 1, 2025 onwards from the calculation of the Company's net debt to invested capital ratio and a higher threshold as to when the springing two times EBITDA interest coverage ratio covenant applies. Specifically, the Company can elect to increase the threshold to 47.5% from the existing 42.5% of net debt to invested capital ratio for several quarters, until an outside date of March 31, 2028. The amendments also require that Interfor maintain minimum liquidity levels of up to $175.0 million, depending on certain circumstances. There were no changes to the maturity date of July 25, 2029 for the Term Line and the commitment was amended to $540.0 million.
    - In February 2026, the Company received commitments for US$75.0 million in Senior Secured Notes with a group of private note holders. The financing is expected to close in Q1'26, subject to final documentation, with the proceeds expected to be used to settle upcoming maturities of the Company's existing Senior Secured Notes in 2026 and 2027. The new Senior Secured Notes will carry an annual fixed interest rate of 8.00% and have a final maturity in 2034. All other terms are largely consistent with Interfor’s existing Senior Secured Notes. Following completion of the financing and the amendments noted above, Interfor’s Senior Secured Notes will have a weighted average interest rate of 6.55%.

- Production Curtailments in Response to Market Conditions
  - Lumber production of 753 million board feet was down 159 million board feet versus the preceding quarter. This decline largely reflects the temporary production curtailments announced on October 17, 2025.
  - Lumber shipments of 812 million board feet exceeded production by approximately 8%, resulting in a 63 million board foot reduction in inventory volume during the quarter.
  - Weak lumber market conditions were reflected in Interfor's average selling price of $599 per mfbm, down $19 per mfbm versus Q3'25. This was primarily due to lower average prices across most of the key benchmarks quarter-over-quarter, with the exception of the SYP Composite benchmark price which remained relatively flat.
  - Due to the prolonged weak lumber market, higher duties and tariffs and mill specific economic and operating factors, the Company recorded an impairment charge of $69.1 million against property, plant and equipment in Eastern Canada.
- Monetization of Coastal B.C. Operations
  - The Company sold Coastal B.C. forest tenures totalling approximately 127,000 cubic metres of allowable annual cut ("AAC") and related assets and liabilities for gross proceeds of $10.0 million and a gain of $9.5 million. During the quarter, the Company made all final settlement payments and therefore had no remaining contractual obligations related to the monetization of the Coastal B.C. operations as at December 31, 2025.
  - Interfor held approximately 574,000 cubic metres of AAC for disposition at December 31, 2025, subject to approvals from the Ministry of Forests.
- Capital Investments
  - Capital spending was $17.5 million, including $8.1 million of discretionary investment primarily focused on the multi-year rebuild of the Thomaston, GA sawmill, which is expected to be completed in Q1'26.
  - Capital expenditures planned for 2026 are estimated to be in the range of $75.0 million to $80.0 million.
- Export Duties and Tariffs
  - Interfor recorded $31.2 million of export duties expense in the quarter. This represents countervailing ("CV") and anti-dumping ("AD") duties incurred on shipments of softwood lumber from its Canadian operations to the U.S. at a combined rate of 35.16%.
  - Interfor has paid cumulative duties of US$663.5 million, or approximately $10.09 per share on an after-tax basis, as at December 31, 2025. Except for a US$71.5 million net receivable recorded in respect of overpayments arising from duty rate adjustments and the fair value of rights to duties acquired, Interfor has recorded the duty deposits as an expense.
  - Effective October 14, 2025, the U.S. imposed a tariff of 10% under Section 232 of the *Trade Expansion Act*, on all imports of softwood timber and lumber into the U.S., including from Canada. During the quarter, the Company paid $4.7 million in Section 232 tariffs.

## Outlook

North American lumber markets over the near term are expected to remain volatile as the economy continues to adjust to changing monetary policies, tariffs, labour shortages and geo-political uncertainty, and as industry-wide lumber production continues to adjust to match demand.

Notably, benchmark lumber prices rebounded late in Q4'25 and into early Q1'26, with the SYP Composite lumber price rising US$102 per mfbm or 32%, the Western SPF Composite lumber price rising US$56 per mfbm or 15% and the KD H-F Stud 2x4 9' lumber price rising US$100 per mfbm or 26% from the end of September 2025 through to the end of January 2026. Winter weather in North America, industry-wide market curtailments and seasonal demand factors are expected to drive ongoing price fluctuations in early 2026.

Near-term volatility is likely to be amplified by the significantly higher duty rates on Canadian lumber exports to the U.S., the Section 232 tariff and by any additional tariffs or other trade restrictions, if imposed. Overall, the Company is well positioned to navigate this volatility with a diversified product mix in Canada and the U.S., with approximately 60% of its total lumber produced and sold within the U.S. Ultimately, only about 25% of the Company's total lumber production is exported from Canada to the U.S. and exposed to duties, the Section 232 tariff and other potential trade measures.

Over the mid-term, Canadian lumber is expected to remain a key source of supply to meet U.S. needs, as growth in U.S. lumber manufacturing capacity will likely be limited by labour constraints, lengthy equipment lead-times, residual offtake constraints and extended project ramp-up schedules. Over the same period, the North American lumber market is expected to continue to benefit from favourable underlying demand fundamentals, including the advanced age of the U.S. housing stock, a shortage of available housing and various demographic factors.

Interfor's strategy of maintaining a diversified portfolio of operations in multiple regions allows the Company to both reduce risk and maximize returns on capital over the business cycle.

## Financial and Operating Highlights

| | | For the three months ended | | | For the year ended Dec. 31 | | |
|---|---|---|---|---|---|---|---|
| | | Dec. 31 | Dec. 31 | Sept. 30 | | | |
| | Unit | 2025 | 2024 | 2025 | 2025 | 2024 | 2023 |
| **Financial Highlights[1]** | | | | | | | |
| Total sales | $MM | 600.6 | 746.5 | 689.3 | 2,805.9 | 3,023.6 | 3,315.7 |
| Lumber | $MM | 486.8 | 619.1 | 570.7 | 2,341.5 | 2,466.8 | 2,661.3 |
| Logs, residual products and other | $MM | 113.8 | 127.4 | 118.6 | 464.4 | 556.8 | 654.4 |
| Operating earnings (loss) | $MM | (148.9) | 25.2 | (229.7) | (406.9) | (291.2) | (252.4) |
| Net loss | $MM | (104.6) | (49.9) | (215.8) | (344.4) | (304.3) | (266.8) |
| Net loss per share, basic | $/share | (1.59) | (0.97) | (4.19) | (6.26) | (5.91) | (5.19) |
| Adjusted EBITDA[2] | $MM | (29.2) | 80.4 | (183.8) | (147.2) | 19.4 | 48.4 |
| Adjusted EBITDA margin[2] | % | (4.9%) | 10.8% | (26.7%) | (5.2%) | 0.6% | 1.5% |
| | | | | | | | |
| Total assets | $MM | 2,721.5 | 3,078.7 | 2,914.8 | 2,721.5 | 3,078.7 | 3,395.7 |
| Total debt | $MM | 829.8 | 904.7 | 913.7 | 829.8 | 904.7 | 897.7 |
| Net debt[2] | $MM | 797.6 | 861.3 | 893.3 | 797.6 | 861.3 | 842.7 |
| Net debt to invested capital ratio[2] | % | 36.5% | 35.7% | 40.7% | 36.5% | 35.7% | 32.5% |
| Annualized return on capital employed[2] | % | (20.2%) | (2.2%) | (36.9%) | (14.4%) | (10.4%) | (9.7%) |
| | | | | | | | |
| **Operating Highlights** | | | | | | | |
| Lumber production | million fbm | 753 | 948 | 912 | 3,501 | 3,956 | 4,152 |
| U.S. South | million fbm | 396 | 425 | 433 | 1,655 | 1,824 | 1,897 |
| U.S. Northwest | million fbm | 50 | 112 | 115 | 418 | 457 | 626 |
| Eastern Canada | million fbm | 174 | 235 | 198 | 781 | 1,015 | 1,020 |
| B.C. | million fbm | 133 | 176 | 166 | 647 | 660 | 609 |
| Lumber sales | million fbm | 812 | 940 | 924 | 3,577 | 4,046 | 4,174 |
| Lumber - average selling price[3] | $ per mfbm | 599 | 659 | 618 | 655 | 610 | 638 |
| | | | | | | | |
| **Key Statistics** | | | | | | | |
| Benchmark lumber prices[4] | | | | | | | |
| SYP Composite | US$ per mfbm | 341 | 373 | 338 | 376 | 363 | 423 |
| KD H-F Stud 2x4 9' | US$ per mfbm | 422 | 421 | 455 | 456 | 415 | 444 |
| Eastern SPF Composite | US$ per mfbm | 480 | 515 | 527 | 518 | 482 | 480 |
| Western SPF Composite | US$ per mfbm | 401 | 457 | 429 | 439 | 410 | 389 |
| | | | | | | | |
| USD/CAD exchange rate[5] | | | | | | | |
| Average | 1 USD in CAD | 1.3947 | 1.3982 | 1.3768 | 1.3978 | 1.3698 | 1.3497 |
| Closing | 1 USD in CAD | 1.3706 | 1.4389 | 1.3941 | 1.3706 | 1.4389 | 1.3226 |

Notes:

1. Financial information presented for interim periods in this MD&A is prepared in accordance with IFRS and is unaudited.
2. Refer to the Non-GAAP Measures section of this MD&A for definitions and reconciliations of these measures to figures reported in the Company's consolidated financial statements.
3. Gross sales including duties, tariffs and freight.
4. Based on Random Lengths Benchmark Lumber Pricing.
5. Based on Bank of Canada foreign exchange rates.

## Summary of Fourth Quarter 2025 Financial Performance

Sales

Interfor recorded $600.6 million of total sales, down 19.5% from $746.5 million in the fourth quarter of 2024, driven by the sale of 812 million board feet of lumber at an average price of $599 per mfbm. Lumber sales volume decreased 128 million board feet, or 13.6%, and average selling price decreased $60 per mfbm, or 9.1%, as compared to the same quarter of 2024.

The decrease in lumber sales volume was primarily driven by the sale of the Quebec operations in Q1'25 and the temporary market-related curtailments in Q4'25.

The decrease in the average selling price of lumber reflects lower prices in the SYP Composite, Eastern SPF Composite and Western SPF Composite benchmarks in Q4'25 as compared to Q4'24, while the KD H-F Stud 2x4 9' benchmark was comparable over the same periods.

Sales generated from logs, residual products and other decreased by $13.6 million or 10.7% in Q4'25 compared to Q4'24 due mainly to a decrease in volume of chips produced and sold and a decrease in the average selling price of I-joist at the Eastern Canada operations.

Operations

Production costs decreased by $71.2 million, or 11.0%, compared to Q4'24, explained primarily by a 13.6% decrease in lumber sales volume and decreased logging and lower stumpage rates in the B.C. Interior, Eastern Canada and U.S. Northwest operations. The decrease was partially offset by higher conversion costs and a $4.5 million increase in the net realizable value provision for log and lumber inventories recorded in Q4'25 vs Q4'24.

Lumber production of 753 million board feet in Q4'25 was 195 million board feet lower than Q4'24, primarily due to the temporary market-related curtailments in Q4'25.

Export duties and tariffs expense was $35.9 million for Q4'25, an increase of $32.8 million from Q4'24 due primarily to higher cash deposit rates, the Section 232 tariff and foreign exchange differences on revaluation of the long-term duty deposits receivable and payable. The increase is partially offset by lower shipments to the U.S. from Canadian sawmills in Q4'25 as compared to Q4'24.

Depreciation of plant and equipment was $33.5 million in Q4'25, down $8.2 million from Q4'24, due primarily to the temporary market-related curtailments in Q4'25. Depletion and amortization of timber, roads and other was comparable in Q4'25 and Q4'24.

Corporate and Other

Selling and administration expenses were $16.0 million, up $2.1 million from Q4'24, primarily related to expanded employee benefit and training programs in Q4'25.

Long-term incentive compensation recovery was $1.6 million in Q4'25, compared to $0.4 million in Q4'24, reflecting a 21.9% decrease in the price of Interfor common shares used to value share-based awards during Q4'25 compared to a 15.1% decrease during Q4'24.

Asset write-downs and restructuring costs in Q4'25 were $78.7 million, primarily related to asset impairments in Eastern Canada and severance costs. The asset write-downs and restructuring costs in Q4'24 were $4.7 million, primarily related to severance costs and impairment of assets resulting from the wind-down of the B.C Coastal operations.

Finance costs increased to $13.7 million in Q4'25 from $11.4 million in Q4'24, primarily due to higher net interest expense accrued on the long-term duties payable and receivable, partially offset by reduced interest expense on lower borrowings.

Other foreign exchange gain of $10.5 million in Q4'25 and loss of $42.3 million in Q4'24 resulted primarily from the quarter-end revaluation of U.S. Dollar denominated intercompany funding and U.S. Dollar cash held by Canadian operations.  The foreign exchange gain of $11.3 million recorded in the quarter on intercompany funding remains unrealized, and there was an offsetting loss recorded in Other comprehensive income (loss) for a net nil impact on Equity.

Other income of $6.2 million in Q4'25 and $1.5 million in Q4'24 primarily related to a gain on the sale of Coastal B.C. forest tenures, partially offset by the change in the fair value of the minority interest in equity investments.

Income Taxes

The Company recorded an income tax recovery of $41.3 million in Q4'25 at an effective tax rate of 28%, comprised of a $3.3 million current income tax recovery and a $38.0 million deferred tax recovery.  The Company recorded an income tax expense of $22.9 million in Q4'24, comprised of a $13.0 million current income tax expense and a $9.9 million deferred tax expense.

Net Earnings

The Company recorded a net loss of $104.6 million, or $1.59 per share, compared to a net loss of $49.9 million, or $0.97 per share in Q4'24.  Operating margin and net loss were impacted by lower average lumber prices, lower sales volumes, higher cash duty deposit rates and higher asset write-downs and restructuring costs, partially offset by an unrealized foreign exchange gain.

## Summary of 2025 Financial Performance

Sales

Interfor recorded $2.8 billion of total sales, down 7.2% from $3.0 billion in 2024, driven by the sale of 3.6 billion board feet of lumber at an average price of $655 per mfbm.  Lumber sales volume decreased 469 million board feet, or 11.6%, while average selling price increased $45 per mfbm, or 7.4%, as compared to 2024.

The decrease in lumber sales volume was primarily driven by the sale of the Quebec operations in Q1'25, the indefinite curtailment of two U.S. South sawmills in Q3'24 and the temporary market-related curtailments in Q4'25.

The increase in the average selling price of lumber reflects higher prices across all key benchmarks in 2025 as compared to 2024.  Realized lumber prices also benefited from the 2.0% weakening of the Canadian Dollar against the U.S. Dollar in 2025 as compared to 2024.

Sales generated from logs, residual products and other decreased by $92.4 million or 16.6% as compared to 2024 due mainly to a decrease in volume of chips produced and sold and a decrease in log sales due to reduced logging at the Eastern Canada operations.  The decrease is also due to lower harvest fees and log sales attributable to the wind-down of the B.C. Coastal operations.

Operations

Production costs decreased by $291.4 million or 10.0% as compared to 2024, explained primarily by a 11.6% decrease in lumber sales volume, lower stumpage rates in Eastern Canada and decreased logging in the B.C. Coastal and Eastern Canada operations. The decrease is partially offset by a $57.2 million increase in the net realizable value provision for log and lumber inventories recorded in 2025 versus 2024, higher conversion costs and a weaker Canadian Dollar on average.

Lumber production of 3.5 billion board feet in 2025 was 455 million board feet lower than 2024. The decrease was primarily driven by the sale of the Quebec operations in Q1'25, the indefinite curtailment of two U.S. South sawmills in Q3'24 and the temporary market-related curtailments in Q4'25.

Export duties and tariffs expense was $271.5 million for 2025, an increase of $239.9 million from 2024. The increase was driven primarily by a non-cash $156.7 million expense related to the finalization of the CV and AD rates by the U.S. Department of Commerce ("DoC") for the sixth administrative review ("AR6") in 2025, compared to a $3.4 million non-cash recovery in 2024 related to the finalization of the fifth administrative review. Higher cash deposit rates, the Section 232 tariff and foreign exchange differences on revaluation of the long-term duty deposits receivable and payable also contributed to the increase. The increase is partially offset by lower shipments to the U.S. from Canadian sawmills in 2025 as compared to 2024.

Depreciation of plant and equipment was $149.1 million, down 16.0% from 2024, due primarily to the sale of the Quebec operations in Q1'25, the indefinite curtailment of two U.S. South sawmills in Q3'24 and temporary market-related curtailments in Q4'25. Depletion and amortization of timber, roads and other was $34.3 million, down $7.5 million from 2024, primarily due to decreased logging on the B.C. Coast as a result of the wind-down of the B.C. Coastal operations.

Corporate and Other

Selling and administration expenses were comparable in 2025 and 2024.

Long-term incentive compensation recovery was $2.8 million in 2025, compared to $1.8 million in 2024, reflecting a 50.1% decrease in the price of Interfor common shares used to value share-based awards during 2025 compared to a 31.2% decrease during 2024. These amounts are also impacted by the vesting and maturing of incentive awards.

Asset write-downs and restructuring costs in 2025 totalled $79.1 million, primarily related to an impairment of assets in Eastern Canada and severance costs. The asset write-downs and restructuring costs in 2024 were $93.1 million, primarily related to an impairment of assets at the Quebec operations, which were sold in Q1'25, an impairment of assets at an operation in the U.S. South as a result of its indefinite curtailment, an impairment of assets related to the wind-down of the B.C. Coastal operations and severance costs. These were partially offset by the reversal of an impairment charge recorded in 2023 in respect of the Philomath, OR sawmill, which was subsequently sold in Q2'24.

Finance costs increased to $71.5 million from $44.6 million in 2024 primarily due to higher net interest expense accrued on the long-term duties payable related to the finalization of the CV and AD rates by the U.S. DoC for AR6, partially offset by reduced interest expense on lower borrowings.

Other foreign exchange gain of $32.5 million in 2025 and loss of $56.3 million in 2024 resulted primarily from the period-end revaluation of U.S. Dollar denominated intercompany funding and U.S. Dollar cash held by Canadian operations. The foreign exchange gain of $34.3 million recorded in 2025 on intercompany funding remains unrealized and there was an offsetting loss recorded in Other comprehensive income (loss) for a net nil impact on Equity.

Other expense of $14.8 million in 2025 primarily related to the loss on disposal of the Quebec operations and the change in the fair value of the minority interest in equity investments, partially offset by a gain on the sale of Coastal B.C. forest tenures. Other income of $35.9 million in 2024 primarily related to a gain on the sale of Coastal B.C. forest tenures, partially offset by the loss on disposal of goodwill of the former sawmill located in Philomath, OR and the change in the fair value of the minority interest in equity investments.

Income Taxes

The Company recorded an income tax recovery of $116.3 million in 2025 at an effective tax rate of 25%, comprised of a $3.2 million current income tax expense and a $119.5 million deferred tax recovery. The Company recorded an income tax recovery of $51.9 million in 2024 at an effective tax rate of 15%, comprised of a $12.0 million current income tax expense and a $63.9 million deferred tax recovery.

Net Earnings

The Company recorded a net loss of $344.4 million, or $6.26 per share, compared to a net loss of $304.3 million, or $5.91 per share in 2024. Operating margin and net loss were impacted by the finalization of the CV and AD rates by the U.S. DoC for AR6, lower sales volumes, higher cash duty deposit rates and the loss on disposal of the Quebec operations. These were partially offset by higher average lumber prices and an unrealized foreign exchange gain.

## Summary of Quarterly Results

| | Unit | 2025 Q4 | 2025 Q3 | 2025 Q2 | 2025 Q1 | 2024 Q4 | 2024 Q3 | 2024 Q2 | 2024 Q1 |
|---|---|---|---|---|---|---|---|---|---|
| **Financial Performance**[1] | | | | | | | | | |
| Total sales | $MM | 600.6 | 689.3 | 780.5 | 735.5 | 746.5 | 692.7 | 771.2 | 813.2 |
| Lumber | $MM | 486.8 | 570.7 | 669.0 | 615.0 | 619.1 | 542.2 | 634.8 | 670.7 |
| Logs, residual products and other | $MM | 113.8 | 118.6 | 111.5 | 120.5 | 127.4 | 150.5 | 136.4 | 142.5 |
| Operating earnings (loss) | $MM | (148.9) | (229.7) | (28.4) | 0.1 | 25.2 | (172.2) | (63.3) | (80.9) |
| Net earnings (loss) | $MM | (104.6) | (215.8) | 11.1 | (35.1) | (49.9) | (105.7) | (75.8) | (72.9) |
| Net earnings (loss) per share, basic | $/share | (1.59) | (4.19) | 0.22 | (0.68) | (0.97) | (2.05) | (1.47) | (1.42) |
| Adjusted EBITDA[2] | $MM | (29.2) | (183.8) | 17.2 | 48.6 | 80.4 | (22.0) | (16.7) | (22.3) |
| Adjusted EBITDA margin[2] | % | (4.9%) | (26.7%) | 2.2% | 6.6% | 10.8% | (3.2%) | (2.2%) | (2.7%) |
| Annualized return on capital employed[2] | % | (20.2%) | (36.9%) | 1.5% | (3.1%) | (2.2%) | (18.8%) | (11.1%) | (9.2%) |
| Shares outstanding - end of period | million | 65.8 | 51.5 | 51.5 | 51.5 | 51.5 | 51.4 | 51.4 | 51.4 |
| Shares outstanding - weighted average | million | 65.8 | 51.5 | 51.5 | 51.5 | 51.5 | 51.4 | 51.4 | 51.4 |
| **Operating Performance** | | | | | | | | | |
| Lumber production | million fbm | 753 | 912 | 935 | 901 | 948 | 904 | 1,034 | 1,069 |
| U.S. South | million fbm | 396 | 433 | 424 | 402 | 425 | 443 | 476 | 480 |
| U.S. Northwest | million fbm | 50 | 115 | 129 | 124 | 112 | 80 | 124 | 141 |
| Eastern Canada | million fbm | 174 | 198 | 215 | 194 | 235 | 216 | 276 | 288 |
| B.C. | million fbm | 133 | 166 | 167 | 181 | 176 | 165 | 158 | 160 |
| Lumber sales | million fbm | 812 | 924 | 978 | 863 | 940 | 951 | 1,055 | 1,100 |
| Lumber - average selling price[3] | $ per mfbm | 599 | 618 | 684 | 712 | 659 | 570 | 602 | 610 |
| **Key Statistics** | | | | | | | | | |
| Benchmark lumber prices[4] | | | | | | | | | |
| SYP Composite | US$ per mfbm | 341 | 338 | 420 | 407 | 373 | 338 | 356 | 383 |
| KD H-F Stud 2x4 9' | US$ per mfbm | 422 | 455 | 475 | 471 | 421 | 359 | 424 | 455 |
| Eastern SPF Composite | US$ per mfbm | 480 | 527 | 527 | 536 | 515 | 454 | 469 | 489 |
| Western SPF Composite | US$ per mfbm | 401 | 429 | 441 | 484 | 457 | 380 | 385 | 416 |
| USD/CAD exchange rate[5] | | | | | | | | | |
| Average | 1 USD in CAD | 1.3947 | 1.3768 | 1.3852 | 1.4352 | 1.3982 | 1.3641 | 1.3683 | 1.3486 |
| Closing | 1 USD in CAD | 1.3706 | 1.3941 | 1.3676 | 1.4307 | 1.4389 | 1.3499 | 1.3687 | 1.3550 |

Notes:
1. Financial information presented for interim periods in this MD&A is prepared in accordance with IFRS and is unaudited.
2. Refer to the Non-GAAP Measures section of this MD&A for definitions and reconciliations of these measures to figures reported in the Company's unaudited condensed consolidated interim financial statements.
3. Gross sales including duties, tariffs and freight.
4. Based on Random Lengths Benchmark Lumber Pricing.
5. Based on Bank of Canada foreign exchange rates.

The Company's quarterly financial trends are most impacted by volatility in market prices for lumber, seasonality in lumber demand, variability in log costs, fluctuations in the USD/CAD foreign currency exchange rate, duty deposit rate changes, tariffs, temporary production curtailments and sawmill acquisitions, disposals and/or closures.

Lumber production and sales decreased due to temporary market-related curtailments announced in February 2024, April 2024, August 2024, September 2025 and October 2025. Also, lumber production and sales decreased due to the indefinite curtailment of a U.S. Northwest sawmill in Q1'24 and subsequent sale in Q2'24, the indefinite curtailment of two U.S. South sawmills in Q3'24 and the wind-down of the Quebec operations in Q4'24 and subsequent sale in Q1'25. Asset impairments related to the U.S. Northwest, U.S. South and Quebec, and Eastern Canada operations affected earnings in Q2'24, Q3'24 and Q4'25, respectively. The loss on disposal of the Quebec operations impacted earnings in Q1'25 and the finalization of the CV and AD rates by the U.S. DoC for AR6 impacted earnings in Q3'25.

The volatility of the Canadian Dollar against the U.S. Dollar also impacted results. A weaker Canadian Dollar increases the lumber sales realizations of Canadian operations, all else equal, and increases net earnings of U.S. operations when translated to Canadian Dollars. A stronger Canadian Dollar has the opposite impacts.

## Liquidity

### Balance Sheet

Interfor's net debt at December 31, 2025 was $797.6 million, or 36.5% of invested capital, representing a decrease of $63.7 million from December 31, 2024.

As at December 31, 2025 the Company had net working capital of $177.3 million and available liquidity of $371.3 million, based on the available borrowing capacity under its Term Line.

In October 2025, the Company completed a bought deal offering of 12,437,800 common shares of the Company and the concurrent exercise of an over-allotment option to purchase an additional 1,865,670 common shares at a price of $10.05 per common share for gross proceeds of $143.8 million.

In December 2025, the Company entered into a US$26.0 million LC Facility. Letters of credit issued under the LC Facility are to be used as collateral for US customs bonds. As at December 31, 2025, US$25.2 million of letters of credit were issued under the LC Facility and the LC Facility is guaranteed by EDC.

The Term Line and Senior Secured Notes are subject to financial covenants, including a maximum net debt to invested capital ratio of 50.0% and a minimum EBITDA interest coverage ratio of two times, which becomes effective if the net debt to invested capital ratio exceeds certain thresholds. As at December 31, 2025, Interfor was fully in compliance with all covenants relating to the Term Line and Senior Secured Notes.

Subsequent to year end, the Company completed a series of financing transactions, as discussed under the "Overview of Fourth Quarter, 2025" section.

Management believes, based on circumstances known today, that Interfor has sufficient working capital and liquidity to fund operating and capital requirements for the foreseeable future.

| | For the three months ended | | | For the year ended | |
|---|---|---|---|---|---|
| Millions of Dollars | Dec. 31 2025 | Dec. 31 2024 | Sept. 30 2025 | Dec. 31 2025 | Dec. 31 2024 |
| **Net debt** | | | | | |
| Net debt, period opening | $893.3 | $849.9 | $798.0 | $861.3 | $842.7 |
| Additions to Senior Secured Notes | - | - | - | - | 45.3 |
| Repayments of Senior Secured Notes | - | - | - | (47.7) | (45.3) |
| Term Line net drawings (repayments) | (69.7) | (35.1) | 82.8 | 14.5 | (69.9) |
| Decrease (increase) in cash and cash equivalents | (12.6) | (8.7) | (4.0) | 9.1 | 15.1 |
| Foreign currency translation impact on U.S. Dollar denominated cash and cash equivalents and debt | (13.4) | 55.2 | 16.5 | (39.6) | 73.4 |
| Net debt, period ending | $797.6 | $861.3 | $893.3 | $797.6 | $861.3 |

On March 26, 2025, the Company paid US$33.3 million of principal that was due on the Company's Series C Senior Secured Notes.

On March 26, 2024, the Company issued US$33.3 million of Series I Senior Secured Notes, bearing interest at 6.37% with principal repayment due at final maturity on March 26, 2030. The proceeds were used to settle US$33.3 million of principal under the Company's Series C Senior Secured Notes due on March 26, 2024.

Cash Flow from Operating Activities

The Company had a $18.1 million cash outflow from operations before changes in working capital in 2025, compared to a cash inflow of $54.2 million in 2024. There was a net cash inflow from operations after changes in working capital of $44.6 million in 2025, with $62.7 million of cash released from operating working capital.

A focused effort to reduce log and lumber inventories contributed to the $61.1 million inflow from inventories, while lower lumber sales volumes and lower average selling price of lumber in Q4'25 versus Q4'24 contributed to the decrease in trade receivables. Timing of payments contributed to the decrease in trade accounts payable and provisions.

In 2024, $144.3 million of cash was generated from operations, with $90.1 million of cash released from operating working capital.

Cash Flow used in Investing Activities

Investing activities used $77.8 million of cash flow in 2025, with $82.6 million for additions to property, plant and equipment, $7.7 million for development of roads and bridges and $7.1 million in net payments related to the monetization of the Coastal B.C. operations, partially offset by $17.1 million in proceeds on disposal of property, plant and equipment and other and $2.5 million for deposits and other assets.

Discretionary mill improvements of $45.7 million in 2025 were mainly focused on the multi-year rebuild of the Thomaston, GA sawmill, which is expected to be completed in Q1'26. Mill maintenance investments totalled $36.9 million in 2025.

In 2024, investing activities used $9.9 million of cash flow, with $67.2 million for additions to property, plant and equipment and $6.9 million for development of roads and bridges, partially offset by $35.1 million in net proceeds on the sale of Coastal B.C. forest tenures, $26.6 million in proceeds on disposal of property, plant and equipment and other and $2.5 million for deposits and other assets.

Discretionary and maintenance mill improvements totalled $33.4 million and $33.8 million, respectively, in 2024. The discretionary mill improvements were mainly invested in the multi-year rebuild of the Thomaston, GA sawmill.

Cash Flow from Financing Activities

The net cash inflow of $24.1 million in 2025 resulted from $137.1 million in net proceeds from the bought deal equity offering and $14.5 million in Term Line net drawings, partially offset by interest payments of $54.1 million, $47.7 million repayment of Senior Secured Notes, lease liability payments of $22.4 million and debt refinancing costs of $3.3 million.

The net cash outflow of $149.5 million in 2024 resulted from $69.9 million in Term Line net repayments, interest payments of $56.9 million, $45.3 million repayment of Senior Secured Notes and lease liability payments of $22.8 million, partially offset by the issuance of $45.3 million of Senior Secured Notes.

Summary of Contractual Obligations

The estimated cash payments due in respect of contractual and legal obligations as at December 31, 2025, including debt and interest payments and major capital commitments are summarized as follows:

| | | Payments due by Period | | | |
|---|---|---|---|---|---|
| Millions of Dollars | **Total** | **Up to 1 Year** | **2 to 3 Years** | **4 to 5 Years** | **After 5 Years** |
| Trade accounts payable and provisions | $135.0 | $135.0 | $ - | $ - | $ - |
| Income taxes payable | 1.2 | 1.2 | - | - | - |
| Reforestation liability | 41.5 | 19.0 | 9.7 | 4.8 | 8.0 |
| Lease liabilities | 47.2 | 20.4 | 18.4 | 6.0 | 2.4 |
| Long-term debt | 1,065.2 | 94.5 | 214.9 | 443.0 | 312.8 |
| Other liabilities | 30.1 | 5.0 | 2.3 | 1.2 | 21.6 |
| Operating and capital commitments | 259.4 | 132.3 | 88.2 | 38.9 | - |
| Total obligations | $1,579.6 | $407.4 | $333.5 | $493.9 | $344.8 |

## Capital Resources

The following table summarizes Interfor's credit facilities and availability as of December 31, 2025:

| Millions of Dollars | **Revolving Term Line** | **Senior Secured Notes** | **Total** |
|---|---|---|---|
| Available line of credit and maximum borrowing available | $562.5 | $617.4 | $1,179.9 |
| Less: | | | |
| Drawings | 212.4 | 617.4 | 829.8 |
| Outstanding letters of credit included in line utilization | 11.0 | - | 11.0 |
| Unused portion of facilities | $339.1 | $ - | 339.1 |
| Add: | | | |
| Cash and cash equivalents | | | 32.2 |
| Available liquidity at December 31, 2025 | | | $371.3 |

Interfor's Senior Secured Notes have maturities in the years 2026-2033.

On July 25, 2025, the Company completed an early renewal of its Term Line at a committed facility size of $562.5 million and extended the maturity from December 17, 2026 to July 25, 2029.

Subsequent to year end, the Company completed a series of financing transactions, as discussed under the "Overview of Fourth Quarter, 2025" section.

As of December 31, 2025, the Company had commitments for capital expenditures totalling $35.3 million for both maintenance and discretionary capital projects.

## Transactions between Related Parties

Other than transactions in the normal course of business with key management personnel and directors, the Company had no transactions between related parties in the year ended December 31, 2025.

## Off-Balance Sheet Arrangements

The Company has off-balance sheet arrangements which include letters of credit and surety performance and payment bonds, primarily for timber purchases and AD and CV duty deposits. At December 31, 2025, such instruments aggregated $105.8 million (December 31, 2024 - $120.8 million).

Off-balance sheet arrangements have not had, and are not reasonably likely to have, any material impact on the Company's current or future financial condition, results of operations or cash flows.

## Financial Instruments and Other Instruments

From time to time, the Company may purchase high grade liquid marketable securities with varying maturities no greater than twelve months. The Company did not purchase or hold any marketable securities in 2025 or 2024.

In addition, the Company may utilize financial instruments, such as interest rate swaps and foreign currency forward and option contracts, to manage exposure to fluctuations in interest rates and foreign exchange rates. The Company may also trade lumber futures from time-to-time to manage price risk. The Company's policy is not to use derivatives for trading or speculative purposes.

The Company did not enter into any foreign exchange contracts, interest rate derivatives contracts or lumber futures contracts in 2025 or 2024.

### Borrowings

As at December 31, 2025, Interfor had US$155.0 million outstanding on its Term Line and US$450.4 million of fixed rate debt of Senior Secured Notes outstanding.

The Company's Term Line bears interest at bank prime rate plus a margin or, at the Company's option, at rates for Canadian Overnight Repo Rate Average ("CORRA") or Secured Overnight Financing Rate ("SOFR") based loans plus a margin, and in all cases dependent upon a financial ratio of net debt to invested capital.

The Company's Senior Secured Notes have a weighted average fixed interest rate of 5.56%.

Based on the Company's average borrowings under the Term Line, the sensitivity of a 100 basis point increase in interest rates would result in an approximate increase of $1.5 million in net loss.

Subsequent to year end, the Company completed a series of financing transactions, as discussed under the "Overview of Fourth Quarter, 2025" section.

Foreign Currency

Certain of the Company's subsidiaries have a functional currency of the U.S. Dollar. Unrealized gains and losses arising upon translation of these net foreign currency investment positions, together with any gain or losses arising from hedges of such positions, are recognized in Other comprehensive income (loss) and recorded to the Translation reserve in Equity. Foreign currency translation differences residing in the Translation reserve will be released to net earnings (loss) upon the reduction of the net investment in foreign operations through the sale or substantial liquidation of an investment position.

As at December 31, 2025, the Company had designated the US$155.0 million drawn on its Term Line and the US$450.4 million drawn under its Senior Secured Notes as a hedge against the net investment in its U.S. operations.

The Company recorded a $60.2 million after-tax unrealized foreign exchange loss on translation of its U.S. operations with a U.S. Dollar functional currency, net of revaluations of debt designated as hedges against the net investment in U.S. operations, to Other comprehensive income (loss) in 2025 (2024 - $101.4 million gain).

## Outstanding Shares

As of February 12, 2026, Interfor had 65,766,951 common shares issued and outstanding. These common shares are listed on the Toronto Stock Exchange under the symbol IFP.

As of February 12, 2026, there were 456,139 stock options outstanding with exercise prices ranging from $11.57 to $37.68 per common share.

## Controls and Procedures

The Company's management, under the supervision of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), has evaluated the design and effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2025.

The Company's management, under the supervision of the CEO and CFO, has evaluated the design and effectiveness of the Company's internal controls over financial reporting ("ICFR") based on the criteria established within the 2013 COSO framework. Based on this evaluation, the CEO and CFO have concluded that the Company's ICFR were effective as of December 31, 2025.

The CEO and CFO acknowledge responsibility for the design of ICFR and confirm that there were no changes in these controls that occurred during the year ended December 31, 2025, which materially affected, or are reasonably likely to materially affect, the Company's ICFR.

## Critical Accounting Estimates

The Company's financial statements include critical accounting estimates made by management, as described below. The use of different assumptions could have a material impact on the Company's financial condition and performance.

*Valuation of Inventories*. Lumber inventories are valued at the lower of cost and net realizable value on a specific product basis. Log inventories are valued at the lower of cost and net realizable value on a sort or specific boom basis. The unit net realizable value for lumber inventories is determined by reference to the average sales values by specific product in the period immediately following the reporting date. The unit net realizable value for log inventories is determined by reference to the value of the projected lumber and residual outturns.

The unit cost for lumber is based on a three-month moving average cost, lagged by one month and adjusted for abnormal costs, as in the case of a curtailment. Log inventories purchased from external sources are valued at acquisition cost for all regions. The unit cost for logs in Eastern Canada is based on a twelve-month moving average cost lagged one month while B.C. Interior log unit costs are based on a three-month moving average cost lagged one month, both adjusted for abnormal costs. The Company records a charge to operating earnings (loss) when net realizable value is lower than carrying value. Downward movements in commodity prices could result in a material write-down of log and/or lumber inventories at any given time.

*Recoverability of Property, Plant and Equipment, Roads and Bridges, Timber licences, Other Intangible Assets and Goodwill*. Interfor's assessment of recoverability is made with reference to projections of future cash flows expected to be generated by specific assets and/or cash-generating units ("CGU"). Projected cash flows are discounted to estimate the recoverable amount of the related assets.

The Company conducts a review of external and internal sources of information to assess existence of any impairment indicators. External factors include adverse changes in expected future prices, costs and other market and economic factors. Internal factors include changes in the expected useful life of the asset or changes to the planned capacity of the asset.

Key assumptions used are based on industry sources as well as management estimates. Significant assumptions include future sales volume, commodity prices, production costs and discount rates. Other assumptions include applicable foreign exchange rates, operating rates of the assets, level of sales to the U.S. from Canada, CV and AD duty rates, tariffs, future capital required to maintain the assets in their current operating condition, and other items.

A high degree of uncertainty exists in these assumptions and, as such, any significant change in assumptions could result in a conclusion that the carrying value of these assets may not be recovered, which could necessitate a material charge against operating earnings (loss).

The discount rate is the Company's estimated current weighted average cost of capital and is determined with the assistance of external experts, past experience and the targeted capital structure. The inflation rates applied within the cash flow projections represent the long term historical average inflation rate using the published Bank of Canada consumer price index and the published U.S. Bureau of Labor Statistics consumer price index.

Interfor assesses the recoverability of Right of use assets, Property, plant and equipment, Roads and bridges, Timber licences and Other intangible assets whenever events or circumstances indicate that the carrying value may not be recoverable.

The Company measures goodwill in business acquisitions at the acquisition date as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill is tested for impairment annually, and whenever events or changes in circumstances indicate that impairment may exist. Goodwill is allocated to the group of CGUs that are expected to benefit from it. The Company's goodwill relates to its U.S. South, U.S. Northwest and Eastern Canada regions.

The Company assessed the recoverability of goodwill as at December 31, 2025 and 2024 and concluded that there was no impairment.

*Income Taxes*. The Company's provision for income taxes, both current and deferred, is based on various judgments, assumptions and estimates including the tax treatment of transactions recorded in the Company's consolidated financial statements. Interfor records provisions for income taxes based on the respective tax rules and regulations in the jurisdictions in which the Company operates.

Due to the number of variables associated with the judgments, assumptions and estimates, and differing tax rules and regulations across the multiple jurisdictions, the precision and reliability of the resulting estimates are subject to uncertainties and may change as additional information becomes known.

Income tax assets and liabilities, both current and deferred, are measured according to the income tax legislation that is expected to apply when the asset is realized or the liability settled. Deferred income tax assets and liabilities are comprised of the tax effect of temporary differences between the carrying amount and tax basis of assets and liabilities, tax loss carry forwards and tax credits.

Assumptions underlying the composition of deferred income tax assets and liabilities include estimates of future results of operations and the timing of the reversal of temporary differences as well as the tax rates and laws in the applicable jurisdictions at the time of the reversal. The composition of deferred income tax assets and liabilities is reasonably likely to change from period to period due to the uncertainties surrounding these assumptions.

## Accounting Policy Changes

In April 2024, the International Accounting Standards Board issued *IFRS 18 Presentation and Disclosure in Financial Statements* ("IFRS 18"), which replaces *IAS 1 Presentation of Financial Statements*. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented into three defined categories of operating, investing, and financing, and by specifying certain defined totals and subtotals. Where company-specific measures related to the income statement are provided, IFRS 18 requires companies to disclose explanations around these measures, which are referred to as management-defined performance measures. IFRS 18 also provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes. IFRS 18 will not affect the recognition and measurement of items in the financial statements, nor will it affect which items are classified in other comprehensive income and how these items are classified. The standard is effective for reporting periods beginning on or after January 1, 2027, with retrospective application required. The Company is currently in the process of assessing the impact of this new standard.

## Non-GAAP Measures

This MD&A makes reference to the following non-GAAP measures: Adjusted EBITDA, Adjusted EBITDA margin, Net debt to invested capital ratio and Annualized return on capital employed which are used by the Company, certain investors and lenders to evaluate operating performance and financial position. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

The following table provides a reconciliation of these non-GAAP measures to figures as reported in the Company's audited consolidated financial statements (unaudited for interim periods) prepared in accordance with IFRS:

| Millions of Dollars except number of shares and per share amounts | For the three months ended Dec. 31 2025 | Dec. 31 2024 | Sept. 30 2025 | For the year ended Dec. 31 2025 | 2024 | 2023 |
|---|---|---|---|---|---|---|
| **Adjusted EBITDA** | | | | | | |
| Net loss | $(104.6) | $(49.9) | $(215.8) | $(344.4) | $(304.3) | $(266.8) |
| Add: | | | | | | |
| Depreciation of plant and equipment | 33.5 | 41.7 | 37.3 | 149.1 | 177.5 | 187.4 |
| Depletion and amortization of timber, roads and other | 9.1 | 9.2 | 8.6 | 34.3 | 41.8 | 41.1 |
| Finance costs | 13.7 | 11.4 | 36.5 | 71.5 | 44.6 | 45.0 |
| Income tax expense (recovery) | (41.3) | 22.9 | (65.9) | (116.3) | (51.9) | (91.1) |
| EBITDA | (89.6) | 35.3 | (199.3) | (205.8) | (92.3) | (84.4) |
| Add: | | | | | | |
| Long-term incentive compensation expense (recovery) | (1.6) | (0.4) | (0.2) | (2.8) | (1.8) | 8.7 |
| Other foreign exchange loss (gain) | (10.5) | 42.3 | 13.4 | (32.5) | 56.3 | (14.7) |
| Other expense (income) excluding business interruption insurance | (6.2) | (1.5) | 2.1 | 14.8 | (35.9) | 79.2 |
| Asset write-downs and restructuring costs | 78.7 | 4.7 | 0.2 | 79.1 | 93.1 | 59.6 |
| Adjusted EBITDA | $(29.2) | $80.4 | $(183.8) | $(147.2) | $19.4 | $48.4 |
| Sales | $600.6 | $746.5 | $689.3 | $2,805.9 | $3,023.6 | $3,315.7 |
| Adjusted EBITDA margin | (4.9%) | 10.8% | (26.7%) | (5.2%) | 0.6% | 1.5% |
| **Net debt to invested capital ratio** | | | | | | |
| Net debt | | | | | | |
| Total debt | $829.8 | $904.7 | $913.7 | $829.8 | $904.7 | $897.7 |
| Cash and cash equivalents | (32.2) | (43.4) | (20.4) | (32.2) | (43.4) | (55.0) |
| Total net debt | $797.6 | $861.3 | $893.3 | $797.6 | $861.3 | $842.7 |
| Invested capital | | | | | | |
| Net debt | $797.6 | $861.3 | $893.3 | $797.6 | $861.3 | $842.7 |
| Shareholders' equity | 1,268.0 | 1,532.5 | 1,254.1 | 1,268.0 | 1,532.5 | 1,730.4 |
| Cumulative net worth adjustments[1] | 120.7 | 20.0 | 49.3 | 120.7 | 20.0 | 20.0 |
| Total invested capital | $2,186.3 | $2,413.8 | $2,196.7 | $2,186.3 | $2,413.8 | $2,593.1 |
| Net debt to invested capital ratio[2] | 36.5% | 35.7% | 40.7% | 36.5% | 35.7% | 32.5% |
| **Annualized return on capital employed** | | | | | | |
| Net loss | $(104.6) | $(49.9) | $(215.8) | $(344.4) | $(304.3) | $(266.8) |
| Add: | | | | | | |
| Finance costs | 13.7 | 11.4 | 36.5 | 71.5 | 44.6 | 45.0 |
| Income tax expense (recovery) | (41.3) | 22.9 | (65.9) | (116.3) | (51.9) | (91.1) |
| Loss before income taxes and finance costs | $(132.2) | $(15.6) | $(245.2) | $(389.2) | $(311.6) | $(312.9) |
| Capital employed | | | | | | |
| Total assets | $2,721.5 | $3,078.7 | $2,914.8 | $2,721.5 | $3,078.7 | $3,395.7 |
| Current liabilities | (225.9) | (302.2) | (300.2) | (225.9) | (302.2) | (336.2) |
| Less: | | | | | | |
| Current portion of long-term debt | 45.7 | 48.0 | 46.5 | 45.7 | 48.0 | 44.1 |
| Current portion of lease liabilities | 18.1 | 20.3 | 18.6 | 18.1 | 20.3 | 17.2 |
| Capital employed, end of period | $2,559.4 | $2,844.8 | $2,679.7 | $2,559.4 | $2,844.8 | $3,120.8 |
| Capital employed, beginning of period | 2,679.7 | 2,807.0 | 2,636.5 | 2,844.8 | 3,120.8 | 3,315.1 |
| Average capital employed | $2,619.6 | $2,825.9 | $2,658.1 | $2,702.1 | $2,982.8 | $3,218.0 |
| Loss before income taxes and finance costs divided by average capital employed | (5.0%) | (0.6%) | (9.2%) | (14.4%) | (10.4%) | (9.7%) |
| Annualization factor | 4.0 | 4.0 | 4.0 | 1.0 | 1.0 | 1.0 |
| Annualized return on capital employed | (20.2%) | (2.2%) | (36.9%) | (14.4%) | (10.4%) | (9.7%) |

Notes:

1 Cumulative net worth adjustments are defined as non-cash fixed asset or goodwill write-downs and losses on disposal of fixed assets or goodwill, other than disposals in the ordinary course of business.

2 Net debt to invested capital ratio as of the period end.

## Risks and Uncertainties

The Company is exposed to many risks and uncertainties in conducting its business including, but not limited to the factors described below.

Availability and Cost of Logs

The log requirements of the Company's sawmills are met through a combination of logs harvested from its timber tenures, trade and purchase agreements, purchases on the open market or from state, federal or tribal lands, and economic partnership agreements with First Nations and other parties. Logs harvested but unsuitable for use in the Company's sawmills are either traded for suitable logs or sold on the open market.

The Company currently holds cutting rights in the provinces of B.C., Ontario, and New Brunswick that represent an AAC of approximately 5.4 million cubic metres in the form of long-term replaceable tenures. Operating at normal capacity, these cutting rights provide approximately 80% of the expected consumption at the Company's Canadian sawmills. The remaining requirements are met either through purchase agreements or on the open market. The Provincial governments set sustainable harvest levels (i.e., AAC) for each management unit. Many factors affect the AAC, such as timber inventory, operable land base, growth rates, regulations, forest health, species at risk, land use, and environmental and social considerations. The Company's ability to access logs could also be impacted by Indigenous peoples unsettled land and title claims (see "Indigenous Reconciliation" below for information).

The Mountain Pine Beetle ("MPB") infestation has resulted in the mortality of a significant portion of the mature pine trees in the B.C. Interior. The longer-term timber supply effects of the MPB are not expected to have a significant impact on the Company's B.C. operations, as its sawmills are located in the southern interior of B.C. where there is a lower percentage of pine trees.

Species at Risk are managed by the Government of Canada and the Provincial Governments. When a species is identified as endangered, threatened or of special concern, a plan for recovery actions is developed. This may include protection and recovery measures that may result in a reduction of AAC in certain areas.

The provincial governments in Canada charge stumpage fees for harvesting timber from Crown lands. The stumpage systems in Canada are complex and consider, among other things, lumber trade relations between Canada and the U.S.

Each province has a unique system for determining stumpage rates based on a number of factors which may include government revenue targets, market values for lumber and/or timber, costs associated with harvesting and delivering timber, and the characteristics of the timber and terrain. Changes to stumpage rates may increase or decrease the Company's cost of logs.

The Company relies on third-party independent contractors to harvest timber in areas over which it holds timber tenures. Increases in rates charged by these independent contractors or the limited availability of these independent contractors may increase the Company's timber harvesting costs.

The Company relies almost entirely on purchased fibre, either on the open market or through purchase agreements, for its U.S. based sawmills. Purchased fibre is sourced primarily from privately held timberlands, and state, federal and tribal lands.

Fluctuations in the price, quality or availability of logs can have a material effect on the Company's business, financial position, results of operations and cash flow. In addition, natural and man-made disasters and climate change, such as wildfires, can restrict timely access to logs as well as increase the cost of available logs.

Availability of Credit

The Company relies on long-term borrowings and access to revolving term lines to finance ongoing operations. The ability to refinance or renew such facilities could be impacted by the Company's financial condition, credit ratings and the global economic environment. Changes in the availability of credit in the financial markets, such as in an economic downturn, could impact our ability to access credit markets on commercially reasonable terms. Weakening or volatility in the credit markets could affect the Company's ability to: secure financing to complete capital expenditures for repair, replacement or expansion of existing manufacturing facilities and equipment; comply with covenants under our existing debt agreements; and take advantage of growth, expansion or acquisition opportunities.

Also, weakening or volatility in the credit market could result in an increase in the interest rates we pay on our variable rate debt, which would increase our costs of borrowing and negatively impact our financial condition.

Competition

The global markets for the Company's products are highly competitive, primarily on the basis of price. In addition, a majority of the Company's lumber production is sold in markets where the Company faces significant competition. Some of the Company's competitors have greater financial resources and may be, in certain product lines, lower-cost producers.

Factors which could affect the Company's competitive position include: its industry-relative costs for logs, labour and other manufacturing inputs; demand for its residual by-products; its ability to access the U.S. and foreign markets, including the existence of duties and tariffs; the strength of the U.S. Dollar relative to the Canadian Dollar; the availability and cost of trucks, railcars and vessels for shipment of lumber; product quality and fit with end-user demand; and the availability and price of substitute products.

The Company's operations are highly capital intensive and as a result continuous significant capital investment to key manufacturing facilities and equipment will be required to remain competitive within the industry.

If the Company is unable to successfully compete on a global basis, its financial condition could suffer.

Currency Exchange Sensitivity

The Company's Canadian operations sell approximately 75% of their lumber into export markets, with the majority of these sales denominated in U.S. Dollars.

While the Canadian operations also incur some U.S. Dollar–denominated expenses, primarily for ocean freight and other transportation, CV and AD duties, tariffs, and for equipment operating leases, most expenses are incurred in Canadian Dollars. The Company's operations in the U.S. transact primarily in U.S. Dollars. The Company also holds U.S. Dollar denominated financial assets and liabilities, such as export duties receivable and payable, long-term debt and intercompany funding.

A significant movement of the Canadian Dollar against the U.S. Dollar could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Environment

Interfor's operations are subject to federal, provincial, state, municipal and local authority environmental regulations, including regulations relating to air emissions and pollutants, wastewater (effluent) discharges, solid and hazardous waste, landfill operations, forestry practices, site remediation and the protection of threatened or endangered species and critical habitat.

The Company has incurred, and will continue to incur, costs to minimize environmental impact, minimize or prevent pollution and for continuous improvement of its environmental performance. The Company may become aware of currently unknown environmental conditions relating to its past or present operations, or it may be faced with an unforeseen environmental liability in the future.

This may require site or other remediation costs to address the identified areas of environmental concern to achieve compliance or correct violations of environmental laws and regulations or result in governmental or private claims for damage to person, property or the environment, which could have a material adverse effect on the Company's financial condition and results of operations.

The Company maintains an Environmental Management System that provides a structure for identifying, addressing and correcting environmental issues. Further discussion of the Company's internal environmental policies and procedures and environmental issues is included in the Company's Annual Information Form, incorporated by reference herein.

Government Regulation

The Company's operations are subject to a vast 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, state and local authorities that apply to most aspects of its business activities. Where applicable, the Company is required to obtain approvals, permits and licences for its operations as a condition to operate.

From time to time, changes in government policy or regulation may impact the Company's operations. Until the details of all such changes are announced and implemented, the full impact of these changes on the Company's production, costs, financial position and results of operations cannot be determined.

Health and Safety

The Company is committed to the health and safety of its employees. The Company has a formal Health and Safety Policy and documented procedures in place for safe work, hazard identification and risk assessment as well as regular health and safety training programs and initiatives. Even with these measures in place, due to the nature of the Company's operations and failure to follow policies and procedures employees can be subject to risks, such as wood dust, heavy machinery and chemicals.

The future emergence and spread of pathogens could have an adverse impact on global economic conditions, similar to the impact of the global COVID-19 pandemic. In turn, such a public health crisis could have adverse consequences on Interfor's operations, financial results and liquidity. Areas of potential impact include the health and safety of employees and contractors, product demand and pricing, availability of logs and operating supplies, availability of logistics and increased cyber-security risk. It is difficult to accurately predict the severity of any such impact on the Company.

Indigenous Reconciliation in Canada

Indigenous peoples have claimed title and rights over substantial portions of Canada. Both the provincial and federal governments have been seeking to negotiate settlements with Indigenous peoples to address these claims, which includes a duty to consult with, and where appropriate, accommodate the interests of Indigenous peoples.

Interfor's timber tenures overlap with the traditional territories of approximately 100 different First Nations, and the Company has numerous agreements and initiatives in place to develop economic opportunities of mutual benefit. The Company is committed to working with Indigenous peoples and our forestry operations are conducted in accordance with our Indigenous Relations Policy.

Government policies respecting indigenous rights and interests continue to evolve and governments continue to announce and implement policy and legislative changes. In June 2021, the federal government passed legislation respecting the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP").

The UNDRIP Act affirms UNDRIP as a universal international human rights instrument with application in Canadian law and provides a framework for the government of Canada to implement the UNDRIP. This framework will guide the changes required for implementation of federal laws to be consistent with the UNDRIP and the establishment of an action plan to achieve UNDRIP's objectives.

In B.C., the government passed legislation to start the process to reconcile provincial laws with the UNDRIP. In October 2023, the B.C. government announced that harvesting has now been temporarily deferred on 2.4 million hectares of old growth in the province. Final decisions on the status of deferral areas will be driven by Indigenous communities and regional landscape planning processes. Interfor continues to work with First Nations and the Province through participation in the planning processes.

In Ontario, resource revenue sharing agreements with First Nations commit the Province to sharing 45% of government revenues from forestry stumpage.

In New Brunswick, there are fifteen First Nation communities that have commercial harvesting agreements with the Minister of Natural Resources and Energy Development. Approximately 5% of the total Crown Forest annual allowable harvest has been allocated under these agreements.

The courts have also established that the Crown has a duty to consult with Indigenous peoples and, where appropriate, accommodate their interests. However, questions of responsibility and appropriateness of balancing interests will continue to evolve as the parties try to address these long-standing and complex issues. Developments will be assessed and monitored in the years ahead to determine the extent of any implications on Interfor's operations.

Information Technology and Cyber Security

The Company's operations and administration are dependent on both internal and third-party information technology ("IT") systems. An interruption, failure or unsuccessful implementation and integration of the Company's IT systems could result in a material adverse impact on the Company's operations, financial results and liquidity.

The Company's IT systems could be impacted by such events as cyber-based attacks, natural disasters, fire, power outages or vandalism. The impact of a cyber-security breach or the unavailability of a key IT system could be significant, including, but not limited to operational delays, financial loss, reputational damage or unauthorized access to, or loss of confidential or sensitive information.

The Company's Audit Committee, in conjunction with management, is responsible for reviewing cyber-security risks and ensuring that an effective risk management strategy is in place. The Company has implemented controls, processes and practices to reduce its risk of a cyber-security breach and the impact on business continuity. These include staying updated on the latest threats, threat agents and attack vectors, the use of firewall and monitoring software as well as regular system back-up protocols. However, the nature of cyber threats continues to evolve and the Company's exposure to this risk cannot be fully mitigated.

Labour Availability

Labour disruptions resulting from walkouts or strikes, employee turnover, immigration policies, shortage of skilled labour, and inability to retain or hire employees could result in lost production and sales, which could have a material adverse impact on the Company's business.

As at December 31, 2025, approximately 25% of the Company's employees are members of various unions with collective agreements expiring in the years 2026 to 2028. There were two collective agreements that expired in 2025, which the Company is currently in negotiations to renew. The Company believes that its current labour relations are stable and as a result does not anticipate any significant disruptions to its operations in the foreseeable future.

The Company depends on a variety of third parties that employ unionized workers to provide critical services to the Company. Labour disputes by these third parties could lead to disruptions at the Company's facilities.

Most of our operations are located away from major urban centers, resulting in strong competition from the forest products industry and several others for skilled labour. Shortages of skilled workers and failure to attract or retain qualified employees could result in lost production or increased costs.

Logistics Availability and Cost

The Company depends on third parties for transportation of its products and raw materials to and from its production facilities and to domestic and export markets. These third-party transportation providers include railways, truckers, bulk and container shippers and tug and barge operators. The Company's ability to obtain transportation services from providers is subject to risks such as availability of equipment and operators, disruptions due to weather, natural disasters and labour disputes.

If third-party transportation providers failed to deliver raw materials or products in a timely manner, the Company may be unable to sell those products at full value, or be unable to manufacture products in response to customer demand, which could have an adverse effect on the Company's financial condition and results of operations.

Transportation costs are also subject to risks such as increased rates due to competition, increased fuel costs, increased labour costs and increased capital expenditures related to repair, maintenance and upgrading of transportation infrastructure. Increases in transportation costs would increase the Company's operating costs and may adversely impact financial results.

Natural and Man-Made Disasters and Climate Change

The Company's operations are subject to adverse natural and man-made events and risks related to climate change such as increased frequency and severity of weather conditions, forest fires, timber disease, insect infestation and earthquake activity. These events could damage or destroy the Company's physical facilities or timber supply and similar events could also affect the operations of the Company's suppliers or customers, including the availability of freight.

Any such damage or disruption could adversely affect the Company's financial condition due to decreased production output, increased operating costs or reduced demand. Although management believes it has reasonable insurance arrangements in place to cover certain of such incidents, there can be no assurance that these arrangements will be sufficient to fully protect the Company against such losses. As is common in the industry, the Company does not insure loss of standing timber for any cause.

There are also risks associated with changes in laws, regulations and industry standards associated with climate change. The Company monitors regulatory changes including any climate-related regulations, to assess their impacts on operations. The Company continues reporting on greenhouse gas ("GHG") emissions in line with the GHG Protocol and is tracking emissions from a base year and toward a GHG reduction target. The Company may face increased capital expenditures or operating costs to meet its GHG reduction target, or to comply with evolving climate regulation, that could adversely impact the Company's financial condition.

Price Volatility

The Company's operating results are dependent upon the selling prices for lumber, I-joists, logs and residual wood products.

The markets for these products are cyclical and prices are affected by such factors as the general level of economic activity in the markets in which the Company sells its products, geopolitical uncertainty, interest rates, construction activity (in particular, housing starts in the U.S. and Canada), duty rates, tariff rates, supply shortages due to weather or logistical issues, and log and chip supply/demand relationships.

Sensitivity to the selling prices for these products may result in a high degree of sales and earnings volatility that could harm the Company's financial condition.

Residual Fibre Revenue

The Company's sawmills produce wood chips and other residuals as by-products of lumber production. Wood chips are primarily sold under short and long-term contracts to pulp and paper producers or fibre board manufacturers. Recent pulp and paper mill closures have reduced market demand for wood chips and other residuals in some of the areas where we operate, lowering market prices. Generally, wood chips and residuals are sold at current market prices and are subject to supply and demand factors in the regions the Company's sawmills are located. Interfor's profitability could be adversely impacted by increased sawmill capacities in its operating regions or reductions in demand for residual fibre.

Softwood Lumber Trade

The Company's financial results are dependent upon continued access to the U.S. market. Interfor's shipments to the U.S. from Canadian operations represent approximately 25% of Company-wide lumber production. Tariffs, duties and other trade barriers that restrict or prevent access to the U.S. market represent a continuing risk to the Company's Canadian based operations.

In late 2016, a petition was filed by the U.S. Lumber Coalition and other petitioners seeking CV and AD duties on Canadian softwood lumber imports to the U.S. On January 6, 2017, a preliminary determination was announced by the U.S. International Trade Commission that there was reasonable indication that the U.S. industry is materially injured by imports of softwood lumber products from Canada and the DoC imposed duties on Canadian shipments of softwood lumber into the U.S.

The Government of Canada is appealing the U.S. findings and will defend itself against claims of unfair trade practices made by the U.S. To date, the only appeals that have been finalized relate to the AD duty rates for the first administrative review ("AR1) and the second administrative review ("AR2") for the years 2017 to 2019 and no adjustment was required. The AD duties on deposit for AR1 and AR2 will remain suspended from liquidation, until their corresponding CV duty rate appeals have been finalized. The final amount and effective date of the remaining AD and CV duties assessed on the Company's softwood lumber exports to the U.S., cannot be determined at this time and depend on decisions yet to be made by the reviewing courts and binational panels. As in previous trade cases, the softwood lumber dispute may take years to resolve through the legal process and remains open to a negotiated settlement at any time.

It is unclear at this time when, if any, duty amounts deposited will be recovered.

The Company is exposed to the risk that the DoC may select Interfor to be a mandatory respondent in the petition filed by the U.S. Lumber Coalition. Interfor is currently charged the all other duty rate and if the Company is selected as a mandatory respondent it could result in the Company being charged a specific rate which could be higher or lower.

Between March 4, 2025 and March 6, 2025, a 25% tariff on all products imported from Canada to the U.S., including softwood lumber, was imposed under the *International Emergency Economic Powers Act* ("IEEPA"). On March 6, 2025, an executive order was issued temporarily pausing IEEPA tariffs on Canadian goods compliant with the United States-Mexico-Canada Agreement ("USMCA"), including the Company's lumber products.

On April 2, 2025, the U.S. administration imposed "reciprocal" tariffs under IEEPA on all countries, and later increased the reciprocal tariff rate on Canadian goods to 35%, however goods compliant with the USMCA, including the Company's lumber products, are exempt from reciprocal tariffs.

Effective October 14, 2025, the U.S. imposed a tariff of 10% under Section 232 of the *Trade Expansion Act,* on all imports of softwood timber and lumber into the U.S., including from Canada. This tariff is in addition to the existing CV and AD softwood lumber duties payable on Canadian lumber imported into the U.S.

The current U.S. Administration's approach to foreign trade policy increases the risk of additional tariffs on the Company's shipments to the U.S., which could adversely impact the Company's operations and financial condition.

Tax Exposures

Interfor takes various positions in the filing of the Company's tax returns, and there can be no assurance that tax authorities will not challenge such filing positions. The Company is also subject to uncertainties concerning the interpretation and application of tax laws in various operating jurisdictions. We provide for known estimated material tax exposures in all jurisdictions, however settlements could differ materially from our estimated liabilities.

## Additional Information

Additional information relating to the Company and its operations, including the Company's Annual Information Form, can be found on its website at www.interfor.com and on SEDAR+ at www.sedarplus.ca.