



Interfor Corporation

First Quarter Report

For the three months ended March 31, 2026

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a review of financial condition and results of operations as at and for the three months ended March 31, 2026 ("Q1'26"). It should be read in conjunction with the unaudited condensed consolidated interim financial statements of Interfor Corporation and its subsidiaries ("Interfor" or the "Company") for the three months ended March 31, 2026, and the notes thereto which have been prepared in accordance with *IAS 34 Interim Financial Reporting* using accounting policies consistent 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 unaudited condensed consolidated interim financial statements. This MD&A has been prepared as of May 14, 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 "Export Duties and Tariffs", "Liquidity and Financial Position", "Outlook", "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; 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.

Financial and Operating Highlights

	Unit	For the three months ended		
		Mar. 31 2026	Mar. 31 2025	Dec. 31 2025
Financial Highlights¹				
Total sales	\$MM	643.2	735.5	600.6
Lumber	\$MM	536.8	615.0	486.8
Logs, residual products and other	\$MM	106.4	120.5	113.8
Operating earnings (loss)	\$MM	(32.6)	0.1	(148.9)
Net loss	\$MM	(63.3)	(35.1)	(104.6)
Net loss per share, basic	\$/share	(0.96)	(0.68)	(1.59)
Adjusted EBITDA ²	\$MM	30.7	48.6	(29.2)
Adjusted EBITDA margin ²	%	4.8%	6.6%	(4.9%)
Total assets	\$MM	2,780.8	3,042.9	2,721.5
Total debt	\$MM	895.8	901.9	829.8
Net debt ²	\$MM	857.7	886.3	797.6
Available liquidity ²	\$MM	385.8	306.0	371.3
Net debt to invested capital ratio ²	%	38.3%	36.5%	36.5%
Annualized return on capital employed ²	%	(9.3%)	(3.1%)	(20.2%)
Operating Highlights				
Lumber production	million fbm	856	901	753
U.S. South	million fbm	408	402	396
U.S. Northwest	million fbm	111	124	50
Eastern Canada	million fbm	177	194	174
B.C.	million fbm	160	181	133
Lumber sales	million fbm	806	863	812
Lumber - average selling price ³	\$ per mfbm	666	712	599
Key Statistics				
Benchmark lumber prices ⁴				
SYP Composite	US\$ per mfbm	419	407	341
KD H-F Stud 2x4 9'	US\$ per mfbm	488	471	422
Eastern SPF Composite	US\$ per mfbm	503	536	480
Western SPF Composite	US\$ per mfbm	441	484	401
USD/CAD exchange rate ⁵				
Average	1 USD in CAD	1.3723	1.4352	1.3947
Closing	1 USD in CAD	1.3918	1.4307	1.3706

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.

Summary of First Quarter 2026 Financial Performance

Interfor recorded a net loss in Q1'26 of \$63.3 million, or \$0.96 per share, compared to a net loss of \$104.6 million, or \$1.59 per share in Q4'25 and a net loss of \$35.1 million, or \$0.68 per share in Q1'25.

Adjusted EBITDA was \$30.7 million on sales of \$643.2 million in Q1'26 versus an Adjusted EBITDA loss of \$29.2 million on sales of \$600.6 million in Q4'25 and Adjusted EBITDA of \$48.6 million on sales of \$735.5 million in Q1'25.

Sales

Interfor recorded \$643.2 million of total sales, down 12.5% from \$735.5 million in the first quarter of 2025, driven by the sale of 806 million board feet of lumber at an average price of \$666 per mfbm. Lumber sales volume decreased 57 million board feet, or 6.6%, and average selling price decreased \$46 per mfbm, or 6.5%, as compared to the same quarter of 2025.

The decrease in lumber sales volume was primarily driven by lumber shipment delays resulting from logistics constraints, the temporary market-related curtailments in Q4'25 that continued into the beginning of Q1'26, capital project downtime related to the rebuild of the Thomaston, GA sawmill in Q1'26 and the indefinite curtailment of a sawmill in Eastern Canada in Q1'26.

The decrease in the average selling price of lumber reflects lower prices in the Western SPF Composite and Eastern SPF Composite benchmarks in Q1'26 as compared to Q1'25, while the KD H-F Stud 2x4 9' and SYP Composite benchmarks slightly increased over the same periods. Realized lumber prices also decreased due to the 4.4% strengthening of the Canadian Dollar against the U.S. Dollar in Q1'26 vs Q1'25.

Sales generated from logs, residual products and other decreased by \$14.1 million or 11.7% in Q1'26 compared to Q1'25 due mainly to a decrease in I-Joist volumes and average selling prices and a decrease in volume of chips produced and sold.

Operations

Production costs decreased by \$86.7 million or 13.4% as compared to Q1'25, explained primarily by a 6.6% decrease in lumber sales volume, lower stumpage rates in the Canadian operations, lower purchased log costs in the U.S. Northwest operations, decreased logging activity in the Eastern Canada operations due to curtailments, a \$13.9 million decrease in the net realizable value provision for log and lumber inventories recorded in Q1'26 versus Q1'25 and a stronger Canadian Dollar on average.

Lumber production of 856 million board feet in Q1'26 was 45 million board feet lower than Q1'25. The decrease was primarily driven by the temporary market-related curtailments in Q4'25 that continued into the beginning of Q1'26, capital project downtime related to the rebuild of the Thomaston, GA sawmill in Q1'26 and the indefinite curtailment of a sawmill in Eastern Canada in Q1'26.

Export duties and tariffs expense was \$36.7 million for Q1'26, an increase of \$12.5 million from Q1'25 due primarily to higher export duty cash deposit rates and the Section 232 tariff, which was imposed in October 2025. The increase is partially offset by foreign exchange differences on revaluation of the long-term export duties receivable and payable and lower shipments to the U.S. from Canadian sawmills in Q1'26 as compared to Q1'25.

Depreciation of plant and equipment was \$32.2 million in Q1'26, down \$7.8 million from Q1'25, due primarily to the temporary market-related curtailments that continued into the beginning of Q1'26 and the indefinite curtailment of a sawmill in Eastern Canada in Q1'26. Depletion and amortization of timber, roads and other was \$9.2 million, up \$0.9 million compared to Q1'25, primarily due to increase in right of use assets.

Corporate and Other

Selling and administration expenses of \$16.3 million were comparable to Q1'25.

Long-term incentive compensation expense was \$2.2 million in Q1'26, compared to \$0.1 million in Q1'25, reflecting a 16.9% increase in the price of Interfor common shares used to value share-based awards during Q1'26 compared to a 6.6% decrease during Q1'25.

Asset write-downs and restructuring costs in Q1'26 were \$19.7 million, primarily related to the remeasurement of property, plant and equipment at two previously curtailed operations in the U.S. South to the lower of their carrying amount and fair value less costs of disposal and severance costs related to the indefinite curtailment of a sawmill in Eastern Canada. The asset write-downs and restructuring costs in Q1'25 were negligible.

Finance costs increased to \$15.5 million in Q1'26 from \$11.0 million in Q1'25, primarily due to higher net interest expense accrued on the long-term export duties receivable and payable and higher interest cost on borrowings.

Other foreign exchange loss of \$10.0 million in Q1'26 and gain of \$4.1 million in Q1'25 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 loss of \$10.5 million recorded in the quarter on intercompany funding remains unrealized, and there was an offsetting gain recorded in Other comprehensive income (loss) for a net nil impact on Equity.

Other expense of \$16.9 million in Q1'26 primarily related to a loss on disposal of goodwill associated with the impending sale of an operation in the U.S. South, partially offset by a gain on the sale of Coastal B.C. forest tenures and the change in the fair value of equity investments. Other expense of \$26.4 million in Q1'25 primarily related to the loss on disposal of the Quebec operations and the change in the fair value of equity investments, partially offset by a gain on the sale of Coastal B.C. forest tenures.

Income Taxes

The Company recorded an income tax recovery of \$11.7 million in Q1'26 at an effective tax rate of 16%, comprised of a \$4.2 million current income tax expense and a \$15.9 million deferred tax recovery. The effective tax rate is lower than the statutory tax rate primarily due to the tax effect of the appreciation of the U.S. Dollar on U.S. Dollar denominated short-term intercompany funding. The Company recorded an income tax expense of \$1.9 million in Q1'25, comprised of a \$6.6 million current income tax expense and a \$4.7 million deferred tax recovery.

Net Loss

The Company recorded a net loss of \$63.3 million, or \$0.96 per share, compared to a net loss of \$35.1 million, or \$0.68 per share in Q1'25. Operating margin and net loss were impacted by lower average lumber prices, lower sales volumes, asset write-downs and restructuring costs, an unrealized foreign exchange loss, and higher export duty cash deposit rates and Section 232 tariffs.

Export Duties and Tariffs

On April 9, 2026, the U.S. Department of Commerce ("DoC") issued its preliminary anti-dumping ("AD") and countervailing ("CV") duty rates of 10.66% and 14.17% respectively, for a combined all others rate of 24.83% for its seventh administrative review covering shipments for the year ended December 31, 2024. The preliminary rate is subject to change until the final rate determinations, which are expected to be published in the second half of 2026. At such time, the final combined rate will be applied to new lumber shipments, and an accounting adjustment will be recorded to reflect the difference between the cash deposit rate on 2024 lumber shipments and the final combined all others duty rate. Based on the preliminary combined all others rate, a non-cash incremental expense, inclusive of interest, of approximately US\$73.0 million is expected to be recorded in the second half of 2026.

The DoC is in the process of liquidating AD duties for the first administrative review covering exports between August 26, 2017 to December 27, 2017 and the Company expects US\$5.2 million to be refunded in the second quarter of 2026. As of the date of this MD&A, US\$3.8 million has been received by the Company.

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 expensed \$8.4 million in Section 232 tariffs on the Company's lumber products.

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"), resulting in the Company paying \$1.9 million in such tariffs.

In February 2026, the Supreme Court decided IEEPA does not authorize the imposition of tariffs and the Court of International Trade ordered the U.S. Customs and Border Protection ("US CBP") to issue refunds for these unlawful tariffs. The process of refunding the IEEPA tariffs is currently under review by the US CBP.

Summary of Quarterly Results

	Unit	2026		2025		2024			
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financial Performance¹									
Total sales	\$MM	643.2	600.6	689.3	780.5	735.5	746.5	692.7	771.2
Lumber	\$MM	536.8	486.8	570.7	669.0	615.0	619.1	542.2	634.8
Logs, residual products and other	\$MM	106.4	113.8	118.6	111.5	120.5	127.4	150.5	136.4
Operating earnings (loss)	\$MM	(32.6)	(148.9)	(229.7)	(28.4)	0.1	25.2	(172.2)	(63.3)
Net earnings (loss)	\$MM	(63.3)	(104.6)	(215.8)	11.1	(35.1)	(49.9)	(105.7)	(75.8)
Net earnings (loss) per share, basic	\$/share	(0.96)	(1.59)	(4.19)	0.22	(0.68)	(0.97)	(2.05)	(1.47)
Adjusted EBITDA ²	\$MM	30.7	(29.2)	(183.8)	17.2	48.6	80.4	(22.0)	(16.7)
Adjusted EBITDA margin ²	%	4.8%	(4.9%)	(26.7%)	2.2%	6.6%	10.8%	(3.2%)	(2.2%)
Annualized return on capital employed ²	%	(9.3%)	(20.2%)	(36.9%)	1.5%	(3.1%)	(2.2%)	(18.8%)	(11.1%)
Shares outstanding - end of period	million	65.8	65.8	51.5	51.5	51.5	51.5	51.4	51.4
Shares outstanding - weighted average	million	65.8	65.8	51.5	51.5	51.5	51.5	51.4	51.4
Operating Performance									
Lumber production	million fbm	856	753	912	935	901	948	904	1,034
U.S. South	million fbm	408	396	433	424	402	425	443	476
U.S. Northwest	million fbm	111	50	115	129	124	112	80	124
Eastern Canada	million fbm	177	174	198	215	194	235	216	276
B.C.	million fbm	160	133	166	167	181	176	165	158
Lumber sales	million fbm	806	812	924	978	863	940	951	1,055
Lumber - average selling price ³	\$ per mfbm	666	599	618	684	712	659	570	602
Key Statistics									
Benchmark lumber prices ⁴									
SYP Composite	US\$ per mfbm	419	341	338	420	407	373	338	356
KD H-F Stud 2x4 9'	US\$ per mfbm	488	422	455	475	471	421	359	424
Eastern SPF Composite	US\$ per mfbm	503	480	527	527	536	515	454	469
Western SPF Composite	US\$ per mfbm	441	401	429	441	484	457	380	385
USD/CAD exchange rate ⁵									
Average	1 USD in CAD	1.3723	1.3947	1.3768	1.3852	1.4352	1.3982	1.3641	1.3683
Closing	1 USD in CAD	1.3918	1.3706	1.3941	1.3676	1.4307	1.4389	1.3499	1.3687

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 April 2024, August 2024, September 2025 and October 2025. Also, lumber production and sales decreased due to the sale of a U.S. Northwest sawmill in Q2'24, the indefinite curtailment of two U.S. South sawmills in Q3'24, the wind-down of the Quebec operations in Q4'24 and subsequent sale in Q1'25 and the indefinite curtailment of an Eastern Canada sawmill in Q1'26.

Asset impairments related to the U.S. Northwest, Quebec and Eastern Canada operations affected earnings in Q2'24, Q3'24 and Q4'25, respectively. Asset impairments related to the U.S. South operations affected earnings in Q3'24 and Q1'26. The loss on disposal of the Quebec operations impacted earnings in Q1'25, the loss on disposal of goodwill related to the pending sale of an operation in the U.S. South impacted earnings in Q1'26 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 and Financial Position

Balance Sheet

Interfor's net debt at March 31, 2026 was \$857.7 million, or 38.3% of invested capital, representing an increase of \$60.1 million from December 31, 2025.

As at March 31, 2026 the Company had net working capital of \$249.8 million and available liquidity of \$385.8 million, based on the available borrowing capacity under its Revolving Term Line ("Term Line").

In February 2026, the Company entered into a \$30.0 million term loan (the "Term Loan"), bearing interest at bank prime plus a margin with monthly principal repayments of \$0.5 million beginning September 26, 2028 until final maturity on August 12, 2033. The Term Loan is guaranteed by the Business Development Bank of Canada and arranged through the Government of Canada's Softwood Lumber Guarantee Program.

In February 2026, the Company issued US\$75.0 million of Senior Secured Notes, bearing interest at 8.00% with principal repayments of US\$18.8 million due on February 26, 2031, 2032, 2033 and on final maturity in 2034. The proceeds were used to settle US\$33.3 million of principal under the Company's Senior Secured Notes due on March 26, 2026 and for general corporate purposes.

The Senior Secured Notes have a weighted average fixed interest rate of 6.66% and maturities in the years 2027-2034.

In February 2026, the Company amended its Term Line commitment to \$540.0 million with no change to the maturity date of July 25, 2029. Concurrently, the Term Line and Senior Secured Notes were amended to provide increased flexibility related to certain financial covenants. The financial covenants include: a maximum net debt to invested capital ratio of 50.0%; a minimum EBITDA interest coverage ratio of two times, which becomes effective if the net debt to invested capital ratio exceeds certain thresholds; 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 the requirement to maintain a minimum liquidity level of \$175.0 million.

As at March 31, 2026, Interfor was fully in compliance with all covenants relating to the Term Line and Senior Secured Notes.

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.

Millions of Dollars	For the three months ended		
	Mar. 31 2026	Dec. 31 2025	Mar. 31 2025
Net debt			
Net debt, period opening	\$797.6	\$893.3	\$861.3
Additions to Senior Secured Notes	102.6	-	-
Repayments of Senior Secured Notes	(45.9)	-	(47.7)
Term Line net drawings (repayments)	(33.7)	(69.7)	50.1
Additions to Term Loan	30.0	-	-
Decrease (increase) in cash and cash equivalents	(5.4)	(12.6)	27.5
Foreign currency translation impact on U.S. Dollar denominated cash and cash equivalents and debt	12.5	(13.4)	(4.9)
Net debt, period ending	\$857.7	\$797.6	\$886.3

Cash Flow from Operating Activities

The Company generated \$23.8 million of cash flow from operations before changes in working capital in Q1'26, compared to \$40.4 million in Q1'25. There was a net cash inflow from operations after changes in working capital of \$0.9 million in Q1'26, with \$22.9 million invested in operating working capital.

Seasonal log inventory builds and lumber shipment delays due to logistics constraints contributed to the investment in inventories, while higher lumber prices contributed to the increase in trade receivables. Timing of payments contributed to the increase in trade accounts payable and provisions.

In Q1'25, \$13.2 million of cash was used for operations, with \$53.6 million of cash invested in operating working capital.

Cash Flow from Investing Activities

Investing activities used \$24.5 million of cash flow in Q1'26, with \$35.6 million for additions to property, plant and equipment, partially offset by \$9.7 million in net proceeds on the sale of Coastal B.C. forest tenures, \$0.7 million in proceeds on disposal of property, plant, equipment and other, \$0.4 million in recoveries related to the development of roads and bridges and \$0.3 million for deposits and other assets.

Discretionary mill improvements of \$27.6 million in Q1'26 were mainly focused on the multi-year rebuild of the Thomaston, GA sawmill, which was completed during the quarter. Mill maintenance investments totalled \$8.0 million in Q1'26.

In Q1'25, investing activities generated \$2.8 million of cash flow, with \$15.7 million in proceeds on disposal of property, plant and equipment and other, \$3.3 million in net proceeds on the sale of Coastal B.C. forest tenures and \$1.0 million for deposits and other assets, partially offset by \$15.8 million for additions to property, plant and equipment and \$1.4 million for development of roads and bridges.

Discretionary and maintenance mill improvements totalled \$7.5 million and \$8.3 million, respectively, in Q1'25. 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 \$29.0 million in Q1'26 resulted from the issuance of \$102.6 million of Senior Secured Notes and a \$30.0 million Term Loan, partially offset by \$45.9 million repayment of Senior Secured Notes, \$33.7 million in Term Line net repayments, interest payments of \$14.6 million, lease liability payments of \$5.9 million and debt refinancing costs of \$3.6 million.

The net cash outflow of \$17.1 million in Q1'25 resulted from \$47.7 million repayment of Senior Secured Notes, interest payments of \$13.7 million and lease liability payments of \$5.8 million, partially offset by \$50.1 million in Term Line net drawings.

Capital Resources

The following table summarizes Interfor's credit facilities and availability as of March 31, 2026:

Millions of Dollars	Term Loan	Revolving Term Line	Senior Secured Notes	Total
Available line of credit and maximum borrowing available	\$30.0	\$540.0	\$684.9	\$1,254.9
Less:				
Drawings	30.0	180.9	684.9	895.8
Outstanding letters of credit included in line utilization		11.4	-	11.4
Unused portion of facility	\$ -	\$347.7	\$ -	347.7
Add:				
Cash and cash equivalents				38.1
Available liquidity at March 31, 2026				\$385.8

As of March 31, 2026, the Company had commitments for capital expenditures totalling \$18.2 million for both maintenance and discretionary capital projects.

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, oil price volatility and geo-political uncertainty, and as industry-wide lumber production continues to adjust to match demand.

Benchmark lumber prices rebounded in Q1'26 and the upward momentum continued into early Q2'26, with the SYP Composite lumber price rising US\$118 per mfbm or 35%, the KD H-F Stud 2x4 9' lumber price rising US\$103 per mfbm or 24%, the Western SPF Composite lumber price rising US\$82 per mfbm or 20% and the Eastern SPF Composite lumber price rising US\$66 or 14% from the end of December 2025 through to the end of April 2026. Industry-wide market curtailments, seasonal demand factors and logistics constraints, particularly in the U.S., are expected to drive ongoing price fluctuations in 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 65% of its total lumber produced and sold within the U.S. Ultimately, only about 20% of the Company's total lumber production is exported from Canada to the U.S. and exposed to duties, tariffs or other potential trade measures. Oil price fluctuations are also expected to drive ongoing volatility in end-use demand, logistics costs and raw material purchases, while at the same time potentially hindering offshore imports from Europe.

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 operating margins over the business cycle.

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 three months ended March 31, 2026.

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 March 31, 2026, such instruments aggregated \$107.7 million (December 31, 2025 - \$105.8 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

The Company did not enter into any foreign exchange contracts, interest rate derivatives contracts or lumber futures contracts in Q1'26 or Q1'25.

Outstanding Shares

As of May 14, 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 May 14, 2026, there were 456,139 stock options outstanding with exercise prices ranging from \$11.57 to \$37.68 per common share.

Controls and Procedures

There have been no changes in the Company's internal controls over financial reporting during the three months ended March 31, 2026, that have materially affected, or are reasonably likely to materially affect, such controls.

Critical Accounting Estimates

There were no significant changes to the Company's critical accounting estimates during the quarter ended March 31, 2026. Interfor's critical accounting estimates are described in its MD&A for the year ended December 31, 2025, filed under the Company's profile on www.sedarplus.ca.

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, Available liquidity 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		
	Mar. 31 2026	Mar. 31 2025	Dec. 31 2025
Adjusted EBITDA			
Net loss	\$(63.3)	\$(35.1)	\$(104.6)
Add:			
Depreciation of plant and equipment	32.2	40.0	33.5
Depletion and amortization of timber, roads and other	9.2	8.3	9.1
Finance costs	15.5	11.0	13.7
Income tax expense (recovery)	(11.7)	1.9	(41.3)
EBITDA	(18.1)	26.1	(89.6)
Add:			
Long-term incentive compensation expense (recovery)	2.2	0.1	(1.6)
Other foreign exchange loss (gain)	10.0	(4.1)	(10.5)
Other expense (income)	16.9	26.4	(6.2)
Asset write-downs and restructuring costs	19.7	0.1	78.7
Adjusted EBITDA	\$30.7	\$48.6	\$(29.2)
Sales	\$643.2	\$735.5	\$600.6
Adjusted EBITDA margin	4.8%	6.6%	(4.9%)
Net debt to invested capital ratio			
Net debt			
Total debt	\$895.8	\$901.9	\$829.8
Cash and cash equivalents	(38.1)	(15.6)	(32.2)
Total net debt	\$857.7	\$886.3	\$797.6
Invested capital			
Net debt	\$857.7	\$886.3	\$797.6
Shareholders' equity	1,222.6	1,490.1	1,268.0
Cumulative net worth adjustments ¹	159.3	49.3	120.7
Total invested capital	\$2,239.6	\$2,425.7	\$2,186.3
Net debt to invested capital ratio ²	38.3%	36.5%	36.5%
Available liquidity			
Senior Secured Notes	\$684.9	\$644.4	\$617.4
Revolving Term Line	540.0	600.0	562.5
Term Loan	30.0	-	-
Available line of credit	\$1,254.9	\$1,244.4	\$1,179.9
Drawings	(895.8)	(901.9)	(829.8)
Outstanding letters of credit	(11.4)	(52.1)	(11.0)
Cash and cash equivalents	38.1	15.6	32.2
Available liquidity	\$385.8	\$306.0	\$371.3
Annualized return on capital employed			
Net loss	\$(63.3)	\$(35.1)	\$(104.6)
Add:			
Finance costs	15.5	11.0	13.7
Income tax expense (recovery)	(11.7)	1.9	(41.3)
Loss before income taxes and finance costs	\$(59.5)	\$(22.2)	\$(132.2)
Capital employed			
Total assets	\$2,780.8	\$3,042.9	\$2,721.5
Current liabilities	(222.2)	(314.7)	(225.9)
Less:			
Current portion of long-term debt	-	47.7	45.7
Current portion of lease liabilities	20.4	19.4	18.1
Capital employed, end of period	\$2,579.0	\$2,795.3	\$2,559.4
Capital employed, beginning of period	2,559.4	2,844.8	2,679.7
Average capital employed	\$2,569.2	\$2,820.1	\$2,619.6
Loss before income taxes and finance costs divided by average capital employed	(2.3%)	(0.8%)	(5.0%)
Annualization factor	4.0	4.0	4.0
Annualized return on capital employed	(9.3%)	(3.1%)	(20.2%)

Notes:

- 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.
- 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: availability and cost of logs; availability of credit; competition; currency exchange sensitivity; environment; government regulation; health and safety; Indigenous reconciliation in Canada; information technology and cyber security; labour availability; logistics availability and cost; natural and man-made disasters and climate change; price volatility; residual fibre revenue; softwood lumber trade; and tax exposures. These risks and uncertainties are described in the Company's MD&A for the year ended December 31, 2025, filed under the Company's profile on www.sedarplus.ca.

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.



CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the three months ended March 31, 2026 and 2025 (unaudited)

(millions of Canadian Dollars except per share amounts)

	Three Months Mar. 31, 2026	Three Months Mar. 31, 2025
Sales (note 13)	\$ 643.2	\$ 735.5
Costs and expenses:		
Production	559.5	646.2
Selling and administration	16.3	16.5
Long-term incentive compensation expense	2.2	0.1
Export duties and tariffs (note 15)	36.7	24.2
Depreciation of plant and equipment (note 8)	32.2	40.0
Depletion and amortization of timber, roads and other (note 8)	9.2	8.3
	656.1	735.3
Operating earnings (loss) before asset write-downs and restructuring costs	(12.9)	0.2
Asset write-downs and restructuring costs (note 9)	(19.7)	(0.1)
Operating earnings (loss)	(32.6)	0.1
Finance costs (note 10)	(15.5)	(11.0)
Other foreign exchange gain (loss)	(10.0)	4.1
Other expense (note 11)	(16.9)	(26.4)
	(42.4)	(33.3)
Loss before income taxes	(75.0)	(33.2)
Income tax expense (recovery):		
Current	4.2	6.6
Deferred	(15.9)	(4.7)
	(11.7)	1.9
Net loss	\$ (63.3)	\$ (35.1)
Net loss per share		
Basic (note 12)	\$ (0.96)	\$ (0.68)
Diluted (note 12)	\$ (0.96)	\$ (0.68)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2026 and 2025 (unaudited)

(millions of Canadian Dollars)

	Three Months Mar. 31, 2026	Three Months Mar. 31, 2025
Net loss	\$ (63.3)	\$ (35.1)
Other comprehensive income (loss):		
Items that will not be recycled to Net loss:		
Defined benefit plan actuarial gain (loss), net of tax	0.1	(0.1)
Items that may be recycled to Net loss:		
Foreign currency translation differences for foreign operations, net of tax	17.7	(7.2)
Total other comprehensive income (loss), net of tax	17.8	(7.3)
Comprehensive loss	\$ (45.5)	\$ (42.4)

See accompanying notes to consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2026 and 2025 (unaudited)

(millions of Canadian Dollars)

	Three Months Mar. 31, 2026	Three Months Mar. 31, 2025
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (63.3)	\$ (35.1)
Items not involving cash:		
Depreciation of plant and equipment (note 8)	32.2	40.0
Depletion and amortization of timber, roads and other (note 8)	9.2	8.3
Deferred income tax recovery	(15.9)	(4.7)
Current income tax expense	4.2	6.6
Finance costs (note 10)	15.5	11.0
Other assets	-	(0.1)
Reforestation liability	3.3	3.5
Export duties payable and other liabilities	2.8	(1.2)
Net write-down of plant and equipment (note 9)	11.4	0.1
Unrealized foreign exchange loss (gain)	8.5	(2.5)
Other expense (note 11)	16.9	26.4
Income taxes paid, net	(1.0)	(11.9)
	23.8	40.4
Cash generated from (used in) operating working capital:		
Trade accounts receivable and other	(17.4)	(40.0)
Inventories	(43.1)	(43.6)
Prepayments	3.5	6.7
Trade accounts payable and provisions	34.1	23.3
	0.9	(13.2)
Investing activities:		
Additions to property, plant and equipment	(35.6)	(15.8)
Recoveries from (additions to) roads and bridges	0.4	(1.4)
Proceeds on disposal of property, plant, equipment and other	0.7	15.7
Net proceeds related to B.C. Coast monetization (note 11)	9.7	3.3
Net proceeds from deposits and other assets	0.3	1.0
	(24.5)	2.8
Financing activities:		
Issuance of share capital, net of expenses	0.1	-
Interest payments	(14.6)	(13.7)
Lease liability payments	(5.9)	(5.8)
Debt refinancing costs	(3.6)	-
Revolving Term Line net drawings (repayments) (note 6)	(33.7)	50.1
Additions to Term Loan (note 6)	30.0	-
Additions to Senior Secured Notes (note 6)	102.6	-
Repayments of Senior Secured Notes (note 6)	(45.9)	(47.7)
	29.0	(17.1)
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	0.5	(0.3)
Increase (decrease) in cash	5.9	(27.8)
Cash and cash equivalents, beginning of period	32.2	43.4
Cash and cash equivalents, end of period	\$ 38.1	\$ 15.6

See accompanying notes to consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

March 31, 2026 and December 31, 2025 (unaudited)

(millions of Canadian Dollars)

Mar. 31, 2026 Dec. 31, 2025

Assets

Current assets:

Cash and cash equivalents	\$ 38.1	\$ 32.2
Trade accounts receivable and other (note 15(a))	106.9	81.4
Income taxes receivable	1.9	3.3
Inventories (note 5)	264.3	219.4
Prepayments	19.8	23.1
Assets held for sale (note 9)	41.0	43.8
	472.0	403.2

Export duties receivable (note 15(a))

290.7 290.2

Right of use assets

44.9 41.8

Property, plant and equipment

1,239.8 1,230.9

Roads and bridges

23.4 24.9

Timber licences

150.9 152.4

Goodwill and other intangible assets (note 11)

516.9 539.6

Other assets

40.2 36.3

Deferred income taxes

2.0 2.2

\$ 2,780.8 \$ 2,721.5

Liabilities and Shareholders' Equity

Current liabilities:

Trade accounts payable and provisions	\$ 179.8	\$ 141.9
Current portion of long-term debt (note 6)	-	45.7
Reforestation liability	19.0	19.0
Lease liabilities	20.4	18.1
Income taxes payable	3.0	1.2
	222.2	225.9

Reforestation liability

23.4 19.9

Lease liabilities

26.8 25.6

Long-term debt (note 6)

895.8 784.1

Export duties payable (note 15(a))

198.6 192.2

Other liabilities

22.7 21.9

Deferred income taxes

168.7 183.9

Equity:

Share capital (note 7)	546.2	546.1
Contributed surplus	6.7	6.7
Translation reserve	204.4	186.7
Retained earnings	465.3	528.5
	1,222.6	1,268.0

\$ 2,780.8 \$ 2,721.5

**Commitments and contingencies (notes 15 and 16).
Subsequent event (note 15(a)).**

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

"L. Sauder"
Director

"C. Griffin"
Director



CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31, 2026 and 2025 (unaudited)

(millions of Canadian Dollars)	Share Capital	Contributed Surplus	Translation Reserve	Retained Earnings	Total
Balance at December 31, 2025	\$ 546.1	\$ 6.7	\$ 186.7	\$ 528.5	\$ 1,268.0
Net loss:	-	-	-	(63.3)	(63.3)
Other comprehensive income:					
Foreign currency translation differences for foreign operations, net of tax	-	-	17.7	-	17.7
Defined benefit plan actuarial gain, net of tax	-	-	-	0.1	0.1
Contributions:					
Share issuance, net of expenses (note 7)	0.1	-	-	-	0.1
Balance at March 31, 2026	\$ 546.2	\$ 6.7	\$ 204.4	\$ 465.3	\$ 1,222.6
Balance at December 31, 2024	\$ 409.0	\$ 6.6	\$ 246.9	\$ 870.0	\$ 1,532.5
Net loss:	-	-	-	(35.1)	(35.1)
Other comprehensive loss:					
Foreign currency translation differences for foreign operations, net of tax	-	-	(7.2)	-	(7.2)
Defined benefit plan actuarial loss, net of tax	-	-	-	(0.1)	(0.1)
Balance at March 31, 2025	\$ 409.0	\$ 6.6	\$ 239.7	\$ 834.8	\$ 1,490.1

See accompanying notes to consolidated financial statements.

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts expressed in millions except number of shares and per share amounts)

Three months ended March 31, 2026 and 2025 (unaudited)

1. Nature of operations:

Interfor Corporation and its subsidiaries ("Interfor" or the "Company") produce wood products in Canada and the United States for sale to markets in North America and around the world.

Interfor Corporation exists under the *Business Corporations Act* (British Columbia) with shares listed on the Toronto Stock Exchange. Its head office, principal address and records office are located at 1600 – 4720 Kingsway, Burnaby, British Columbia, Canada, V5H 4N2.

These unaudited condensed consolidated interim financial statements ("financial statements") comprise the accounts of Interfor Corporation and its subsidiaries.

2. Basis of Preparation:

(a) Statement of compliance:

These financial statements, including comparatives, have been prepared in accordance with *IAS 34 Interim Financial Reporting* using accounting policies consistent with IFRS Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2025.

These financial statements were approved by Interfor's Board of Directors on May 14, 2026.

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis except for the following items in the Statements of Financial Position:

- (i) Liabilities for cash-settled share-based compensation arrangements are measured at fair value at each reporting date;
- (ii) Equity-settled share-based compensation expense is measured at fair value at the grant date;
- (iii) Employee benefit plan assets and liabilities are recognized as the net of the fair value of the plan assets and the present value of the benefit obligations on a plan by plan basis;
- (iv) Reforestation obligations, lease liabilities and certain other provisions are measured at the discounted value of expected future cash flows; and
- (v) The minority interests in equity investments are measured at fair value at each reporting date.

The functional and presentation currency of the parent company is the Canadian Dollar.

(c) Critical accounting estimates:

There were no significant changes to the Company's critical accounting estimates during the quarter ended March 31, 2026. Interfor's critical accounting estimates are described in its annual consolidated financial statements for the year ended December 31, 2025, filed under the Company's profile on www.sedarplus.ca.

3. Material accounting policies:

These financial statements have been prepared using the material accounting policies consistent with those applied in the Company's annual consolidated financial statements for the year ended December 31, 2025, which are available on www.sedarplus.ca.

New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended March 31, 2026, and have not been applied in preparing these financial statements. The following pronouncement is considered by the Company to be the most significant that may affect the Company's financial statements in the future.

In April 2024, the IASB 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 within 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.

4. Seasonality of operating results:

Quarterly operating results of the Company reflect the seasonality of its operations and markets. Sawmill operations are dependent on the availability of logs from our logging operations and our suppliers, which may be impacted by seasonal weather conditions and extreme weather events, including hurricanes and wildfires. In addition, the market demand for lumber and related products is generally lowest in the winter season due to reduced construction and renovation activities.

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts expressed in millions except number of shares and per share amounts)

Three months ended March 31, 2026 and 2025 (unaudited)

5. Inventories:

	Mar. 31, 2026	Dec. 31, 2025
Lumber and other wood products	\$ 160.0	\$ 123.8
Logs	52.9	46.3
Spare parts and other	51.4	49.3
	<u>\$ 264.3</u>	<u>\$ 219.4</u>

Inventory cost includes production costs, depreciation of plant and equipment, and depletion and amortization of timber, roads and other. At March 31, 2026, an inventory provision of \$23.6 million (December 31, 2025 - \$36.5 million) has been recognized to record inventory at the lower of cost and net realizable value. The Company recorded a \$12.9 million net reversal of a previously recognized provision in the first quarter of 2026 (Quarter 1, 2025 - \$1.0 million expense) in Production costs in the Statements of Earnings.

6. Borrowings:

March 31, 2026	Term Loan	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	\$ 30.0	\$ 540.0	\$ 684.9	\$ 1,254.9
Drawings	30.0	180.9	684.9	895.8
Outstanding letters of credit	-	11.4	-	11.4
Unused portion of Revolving Term Line	\$ -	\$ 347.7	\$ -	\$ 347.7

December 31, 2025	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	\$ 562.5	\$ 617.4	\$ 1,179.9
Drawings	212.4	617.4	829.8
Outstanding letters of credit	11.0	-	11.0
Unused portion of Revolving Term Line	\$ 339.1	\$ -	\$ 339.1

Minimum principal amounts due on long-term debt are as follows:

Twelve months ending	
March 31, 2027	\$ -
March 31, 2028	85.2
March 31, 2029	88.7
March 31, 2030	318.6
March 31, 2031	32.1
Thereafter	371.2
	<u>\$ 895.8</u>

Reconciliation of movements in borrowings to cash flows arising from financing activities:

	Three Months Mar. 31, 2026	Three Months Mar. 31, 2025
Drawings at opening	\$ 829.8	\$ 904.7
Revolving Term Line net drawings (repayments)	(33.7)	50.1
Additions to Term Loan	30.0	-
Additions to Senior Secured Notes	102.6	-
Repayments of Senior Secured Notes	(45.9)	(47.7)
Effects of changes in foreign exchange rate	13.0	(5.2)
Drawings at March 31	<u>\$ 895.8</u>	<u>\$ 901.9</u>

(a) Revolving Term Line:

On February 12, 2026, the commitment on the Company's Revolving Term Line (the "Term Line") was amended to \$540.0 million with no change to the maturity date of July 25, 2029. The Term Line may be drawn in either CAD\$ or US\$ advances, and bears interest at bank prime 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 Term Line is secured by a general security agreement and mortgage security on certain of the Company's assets and is subject to certain financial covenants including a maximum ratio of net debt to invested capital and a minimum liquidity requirement of \$175.0 million. As at March 31, 2026, Interfor was fully in compliance with all covenants relating to the Term Line.

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts expressed in millions except number of shares and per share amounts)

Three months ended March 31, 2026 and 2025 (unaudited)

6. Borrowings (continued):**(a) Revolving Term Line (continued):**

As at March 31, 2026, excluding letters of credit, the Term Line was drawn by US\$130.0 million (December 31, 2025 - US\$155.0 million), revalued at the quarter-end exchange rate to \$180.9 million (December 31, 2025 - \$212.4 million).

The US dollar drawings under the Term Line have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange losses of \$2.2 million in the first quarter of 2026 (Quarter 1, 2025 - gains of \$1.2 million) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss).

(b) Term Loan

On February 12, 2026, the Company entered into a \$30.0 million term loan (the "Term Loan"), bearing interest at bank prime plus a margin with monthly principal repayments of \$0.5 million beginning September 26, 2028 until final maturity on August 12, 2033. The Term Loan is guaranteed by the Business Development Bank of Canada.

(c) Senior Secured Notes:

As at March 31, 2026, the Company's Senior Secured Notes consisted of the following:

	Mar. 31, 2026	Dec. 31, 2025
US\$33.3 million bearing interest at 4.92%	\$ -	\$ 45.7
US\$45.6 million bearing interest at 5.70%	63.4	62.4
US\$38.2 million bearing interest at 5.57%	53.2	52.4
US\$50.0 million bearing interest at 4.09%	69.6	68.5
US\$50.0 million bearing interest at 4.00%	69.6	68.5
US\$200.0 million bearing interest at 7.81%	278.3	274.2
US\$33.3 million bearing interest at 7.12%	46.4	45.7
US\$75.0 million bearing interest at 8.00%	104.4	-
	\$ 684.9	\$ 617.4

The Senior Secured Notes have a weighted average fixed interest rate of 6.66% and maturities from August 14, 2027 to February 26, 2034.

The Senior Secured Notes are secured by a general security agreement and mortgage security on certain of the Company's assets, and are subject to certain financial covenants including a maximum ratio of net debt to invested capital and a minimum liquidity requirement of \$175.0 million. As at March 31, 2026, Interfor was fully in compliance with all covenants relating to the Senior Secured Notes.

On February 26, 2026, the Company issued US\$75.0 million of Senior Secured Notes, bearing interest at 8.00% with principal repayments of US\$18.8 million due on February 26, 2031, 2032, 2033 and on final maturity in 2034. The proceeds were used to settle US\$33.3 million of principal under the Company's Senior Secured Notes due on March 26, 2026.

The Senior Secured Notes have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange losses of \$10.8 million in the first quarter of 2026 (Quarter 1, 2025 - gains of \$4.0 million) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss).

(d) Letter of Credit Facility:

The Company maintains a US\$26.0 million letter of credit facility (the "LC Facility") guaranteed by Export Development Canada. Letters of credit issued under the LC Facility serve as collateral for US customs bonds. As at March 31, 2026, US\$25.2 million (December 31, 2025 - US\$25.2 million) had been issued under the LC facility, revalued at the year-end exchange rate to \$35.0 million (December 31, 2025 - \$34.5 million).

7. Share capital:

The transactions in share capital are described below:

	Share Capital		Contributed Surplus
	Number	Amount	
Balance, December 31, 2024	51,453,736	\$ 409.0	\$ 6.6
Share issuance, net of expenses	14,303,470	137.1	-
Stock option vesting	-	-	0.1
Balance, December 31, 2025	65,757,206	\$ 546.1	6.7
Share issuance, net of expenses	9,745	0.1	-
March 31, 2026	65,766,951	\$ 546.2	\$ 6.7

On October 1, 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. The net proceeds of \$137.1 million, after payment of fees and expenses, were used to pay down existing indebtedness.

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts expressed in millions except number of shares and per share amounts)

Three months ended March 31, 2026 and 2025 (unaudited)

8. Depreciation, depletion and amortization:

Depreciation, depletion and amortization by function is as follows:

	Three Months Mar. 31, 2026	Three Months Mar. 31, 2025
Production	\$ 41.1	\$ 48.0
Selling and administration	0.3	0.3
	\$ 41.4	\$ 48.3

9. Asset write-downs and restructuring costs:

	Three Months Mar. 31, 2026	Three Months Mar. 31, 2025
Net write-down of plant and equipment	\$ 11.4	\$ 0.1
Severance and other closure costs	8.3	-
	\$ 19.7	\$ 0.1

The Company plans to sell certain property, plant and equipment of two operations in the U.S. South and these assets were classified as held for sale as at March 31, 2026 and December 31, 2025. The Company remeasured the property, plant and equipment of these operations to the lower of their carrying amount and fair value less costs of disposal and recorded an impairment charge of \$11.4 million in the first quarter of 2026.

In March 2026, the Company indefinitely curtailed a sawmill in Eastern Canada resulting in severance and other closure costs of \$6.0 million.

10. Finance costs:

	Three Months Mar. 31, 2026	Three Months Mar. 31, 2025
Interest expense on:		
Borrowings	\$ 14.4	\$ 13.3
Lease liabilities	0.9	0.6
Pension obligations	0.6	0.6
Interest income from:		
Pension assets	(0.8)	(0.7)
Other	(0.3)	(0.3)
Duty deposits interest expense	5.6	2.2
Duty deposits interest income	(5.5)	(5.1)
Unwind of discount on provisions	0.2	0.3
Amortization of deferred finance costs	0.4	0.1
	\$ 15.5	\$ 11.0

11. Other expense:

	Three Months Mar. 31, 2026	Three Months Mar. 31, 2025
Net gain related to B.C. Coast monetization	\$ 9.4	\$ 6.5
Change in fair value of minority interest in equity investments	0.7	(3.4)
Net loss on disposal of property, plant, equipment, goodwill and other	(27.0)	(29.4)
Net loss on lease modifications	-	(0.1)
	\$ (16.9)	\$ (26.4)

The Company sold Coastal B.C. forest tenures totalling approximately 108,000 cubic metres of allowable annual cut ("AAC") and related assets and liabilities for proceeds of \$9.7 million (Quarter 1, 2025 - \$7.4 million) and a gain of \$9.4 million (Quarter 1, 2025 - \$6.5 million) in the first quarter of 2026. Interfor held approximately 466,000 cubic metres of AAC for disposition at March 31, 2026, subject to approvals from the Ministry of Forests.

The impending sale of a previously indefinitely curtailed operation in the U.S. South resulted in the loss of production capacity and a loss on disposal of \$27.2 million related to goodwill.

In 2025, the Company completed the sale of its Quebec operations for net cash consideration of \$16.3 million, inclusive of certain working capital items and assumed liabilities, and recorded a loss on disposal of \$29.1 million, primarily related to goodwill.

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts expressed in millions except number of shares and per share amounts)

Three months ended March 31, 2026 and 2025 (unaudited)

12. Net loss per share:

Net loss per share is calculated utilizing the treasury stock method for determining the dilutive effect of options issued. The reconciliation of the numerator and denominator is determined as follows:

	Three Months Mar. 31, 2026			Three Months Mar. 31, 2025		
	Net loss	Weighted average number of shares	Per share	Net loss	Weighted average number of shares	Per share
Issued shares at December 31		65,757,206			51,453,736	
Effect of shares issued		6,542			-	
Basic loss per share	\$ (63.3)	65,763,748	\$ (0.96)	\$ (35.1)	51,453,736	\$ (0.68)
Effect of dilutive securities:						
Stock options		-			25,851	
Diluted loss per share	\$ (63.3)	65,763,748	\$ (0.96)	\$ (35.1)	51,453,736 ¹	\$ (0.68)

¹ As the addition of stock options to the total shares outstanding has an anti-dilutive impact on the diluted loss per share calculation, those stock options have not been included in the total shares outstanding for purposes of calculating diluted loss per share.

13. Segmented information:

The Company manages its business as a single operating segment, being solid wood products. The Company harvests and purchases logs which are sorted by species, size and quality and then either manufactured into lumber and other wood products at the Company's operations or sold. All operations are located in British Columbia, Ontario and New Brunswick in Canada and the Northwest and South regions of the U.S.

Sales by market are as follows:

	Three Months Mar. 31, 2026	Three Months Mar. 31, 2025
United States	\$ 505.7	\$ 597.8
Canada	117.7	116.7
Other export	10.0	13.5
Japan	5.3	4.6
China/Taiwan	4.5	2.9
	\$ 643.2	\$ 735.5

Sales by product line are as follows:

	Three Months Mar. 31, 2026	Three Months Mar. 31, 2025
Lumber and other wood products	\$ 561.6	\$ 649.1
Wood chips and other by-products	56.3	62.7
Logs	22.9	21.8
Timber management and other	2.4	1.9
	\$ 643.2	\$ 735.5

14. Financial instruments:

IFRS 13 Fair Value Measurement requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

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

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

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

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts expressed in millions except number of shares and per share amounts)

Three months ended March 31, 2026 and 2025 (unaudited)

14. Financial instruments (continued):

The following table summarizes Interfor's financial instruments measured at fair value and shows the level within the fair value hierarchy in which the financial instruments have been classified:

	Fair value hierarchy level	Mar. 31, 2026	Dec. 31, 2025
Financial assets measured at fair value			
Equity investments	Level 1	\$ 5.9	\$ 5.2
Export duties receivable	Level 3	290.7	290.2
		\$ 296.6	\$ 295.4
Financial liabilities measured at fair value			
Export duties payable	Level 3	\$ 198.6	\$ 192.2

At March 31, 2026, the fair value of the Company's Long-term debt was less than its carrying value by \$42.2 million (December 31, 2025 - exceeded by \$11.5 million) measured based on Level 2 inputs of the fair value hierarchy.

The fair values of other financial instruments approximate their carrying values due to their short-term nature.

As at March 31, 2026, the Company had no outstanding obligations under derivative financial instruments.

15. Export duties and tariffs:

The Export duties and tariffs expense on the Statements of Earnings is comprised of the following:

	Three Months Mar. 31, 2026	Three Months Mar. 31, 2025
Cash deposits paid	\$ 23.6	\$ 19.3
Foreign currency translation impact on net export duties receivable	(1.3)	1.6
Accruals and other adjustments	6.0	1.4
Export duties expense	28.3	22.3
Tariffs	8.4	1.9
Export duties and tariffs	\$ 36.7	\$ 24.2

(a) U.S. countervailing and anti-dumping duties:

In late 2016, a petition was filed by the U.S. Lumber Coalition and other petitioners seeking countervailing ("CV") and anti-dumping ("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 ("ITC") that there was reasonable indication that the U.S. industry is materially injured by imports of softwood lumber products from Canada and the U.S Department of Commerce ("DoC") imposed duties on Canadian shipments of softwood lumber into the U.S.

CV duties were imposed from April 28, 2017 until August 26, 2017 and from December 28, 2017 onwards. AD duties were imposed from June 30, 2017 through December 26, 2017 and from December 28, 2017 onwards.

The following table summarizes the combined AD and CV cash deposit rates that were in effect and the preliminary and final revised rates by administrative review ("AR"):

Year ended December 31	Cash deposit rates in effect			Final rates
	Jan 1 - Dec 31		Jan 1 - Dec 31	Jan 1 - Dec 31
AR1 - 2017	20.23%		8.83%	8.83%
AR1 - 2018	20.23%		8.99%	8.99%
AR2 - 2019	20.23%		17.91%	17.91%
	Jan 1 - Nov 30	Dec 1 - Dec 31	Jan 1 - Dec 31	
AR3 - 2020	20.23%	8.99%	8.59%	
AR4 - 2021	8.99%	17.90%	8.05%	
	Jan 1 - Jan 9	Jan 10 - Aug 8	Aug 9 - Dec 31	Jan 1 - Dec 31
AR5 - 2022	17.90%	17.91%	8.59%	14.40%
	Jan 1 - Jul 31	Aug 1 - Sep 12	Sep 13 - Dec 31	Jan 1 - Dec 31
AR6 - 2023	8.59%	7.99%	8.05%	35.16%
	Jan 1 - Aug 19	Aug 20 - Dec 31	Jan 1 - Dec 31 ¹	
AR7 - 2024	8.05%	14.40%	24.83%	
	Jan 1 - Jul 28	Jul 29 - Aug 11	Aug 12 onwards	Jan 1 - Dec 31
AR8 - 2025	14.40%	27.27%	35.16%	Pending review

¹ Reflects preliminary rate and not final rate.

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts expressed in millions except number of shares and per share amounts)

Three months ended March 31, 2026 and 2025 (unaudited)

15. Export duties and tariffs (continued):**(a) U.S. countervailing and anti-dumping duties (continued):**

On April 9, 2026, the DoC issued its preliminary AD and CV duty rates of 10.66% and 14.17%, respectively, based on completion of its seventh administrative review of shipments for the year ended December 31, 2024. The preliminary rate is subject to change until the final rate determinations, which are expected to be published in the second half of 2026. At such time, the final rates determined and published for 2024 will be applied to new lumber shipments and an adjustment will be recorded to reflect the difference between the cash deposit rates on 2024 lumber shipments and the final rates. Based on the preliminary rates, an incremental expense, inclusive of interest, of approximately US\$73.0 million is expected to be recorded in the second half of 2026.

Duties paid by period are as follows:

Amounts in US Dollars	
2017	\$ 37.9
2018	94.1
2019	76.1
2020	95.9
2021	89.8
2022	118.7
2023	37.1
2024	44.0
2025	69.9
2026	17.2
	\$ 680.7

Interfor has recorded the duty deposits as an expense, with the exception of the following amounts recorded on the Statements of Financial Position:

	Mar. 31, 2026		Dec. 31, 2025	
	USD	CAD	USD	CAD
Net overpayment (underpayment) of duties per completed DoC ARs:				
AR1	\$ 35.8	\$ 46.3	\$ 35.8	\$ 46.3
AR2	3.8	5.0	3.8	5.0
AR3	21.3	28.3	21.3	28.3
AR4	5.4	6.8	5.4	6.8
AR5	3.7	4.0	3.7	4.0
AR6	(116.2)	(156.7)	(116.2)	(156.7)
Purchase price for acquired duty deposits	101.0	131.2	101.0	131.2
Revaluation to the quarter-end exchange rate	-	11.3	-	10.2
Duties recognized as duty deposits	54.8	76.2	54.8	75.1
Interest recognized on duty deposits	16.6	23.2	16.7	22.9
Net export duties receivable	\$ 71.4	\$ 99.4	\$ 71.5	\$ 98.0

The following table summarizes the net export duties receivable balance recorded on the Statements of Financial Position:

	Mar. 31, 2026		Dec. 31, 2025	
	USD	CAD	USD	CAD
Trade accounts receivable and other	\$ 5.2	\$ 7.3	\$ -	\$ -
Export duties receivable	208.9	290.7	211.8	290.2
Export duties payable	(142.7)	(198.6)	(140.3)	(192.2)
Net export duties receivable	\$ 71.4	\$ 99.4	\$ 71.5	\$ 98.0

The Company believes that U.S. Customs and Border Protection has inappropriately designated as liquidated US\$43.3 million of duties paid related to AR1. US\$25.7 million of this amount, along with US\$7.9 million of related accrued interest, is recorded as a long-term receivable at March 31, 2026. Interfor is seeking to rectify this matter, and based on the information known at this time, believes the amounts recorded as a long-term receivable at March 31, 2026, remain collectable in full.

Interfor is of the view that the DoC's positions are without merit and politically driven. As such, Interfor supports the legal challenges by the Canadian federal and provincial governments and other Canadian industry members before U.S. courts, binational panels established under the Canada-United States-Mexico Agreement ("CUSMA"), and the World Trade Organization. All duty rates that are finally determined by the DoC, have been appealed and the Company will record an adjustment, if required, for each rate once its appeal is finalized.

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts expressed in millions except number of shares and per share amounts)

Three months ended March 31, 2026 and 2025 (unaudited)

15. Export duties and tariffs (continued):

(a) U.S. countervailing and anti-dumping duties (continued):

To date, the only appeals that have been finalized relate to the AD duty rates for AR1 and 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, except for the AD duties on deposit for AR1 for a "gap period" from August 26, 2017 to December 27, 2017 during which period CV duties were not applicable. The AD duties for this gap period are in the process of being liquidated and are expected to be refunded in the second quarter of 2026 and as a result the Company has reclassified \$7.3 million to Trade accounts receivable and other on the Statements of Financial Position. 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.

(b) 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. The Company expensed \$8.4 million in Section 232 tariffs in the first quarter of 2026 (Quarter 1, 2025 – nil) on the Company's lumber products.

16. Commitments and contingencies:

As at March 31, 2026, the Company had commitments for capital expenditures totalling \$18.2 million.

In 2026, Interfor received Notices of Reassessment from the Canada Revenue Agency ("CRA") in relation to cross border preferred share financing used between 2014 and 2019 to fund U.S. subsidiaries ("repo structure"). The reassessments would result in an increase to federal and B.C. income and logging taxes payable of \$14.2 million, along with accrued interest to date of \$6.0 million. Interest will continue to accrue until the matter is resolved. Management believes Interfor has complied with Canadian tax laws and therefore has not recorded any liability related to the CRA reassessments. The Company intends to vigorously defend its filing position, including through litigation if necessary.



Interfor Corporation
Metrotower II 1600 – 4720 Kingsway
Burnaby, B.C. Canada V5H 4N2
Telephone: (604) 422-3400 Fax: (604) 757-4214

Contact: Mike Mackay, Executive Vice President
& Chief Financial Officer

Web Site: www.interfor.com