



# Canfor Pulp.

---

**2024 Quarter Three – Interim report**

**For the three months ended September 30, 2024.**

2	Message to shareholders
5	Management's discussion and analysis
14	Condensed Consolidated Balance Sheets
15	Condensed Consolidated Statements of Income (Loss)
16	Condensed Consolidated Statements of Other Comprehensive Income (Loss) and Changes in Equity
17	Condensed Consolidated Statements of Cash Flows
18	Notes to the Condensed Consolidated Interim Financial Statements

## To our shareholders.

Canfor Pulp Products Inc. ("The Company" or "CPPI") reported its third quarter of 2024 results:

### Overview.

- Q3 2024 operating loss of \$209 million, includes a \$211 million asset write-down and impairment charge in the pulp segment resulting from further deterioration in economic fibre availability following recent British Columbia Interior sawmill closure announcements.
- After taking into consideration one-time items, Q3 2024 operating income of \$2 million compared to similarly adjusted operating loss of \$6 million in Q2 2024.
- Modest improvement in NBSK pulp unit sales realizations driven by steady North American pulp pricing through most of the third quarter and favourable timing lag in shipments, despite weak demand in China and notable increase in pulp producer inventory levels.
- Orderly wind down of one production line at Northwood NBSK pulp mill completed in August.

### Financial results.

The following table summarizes select financial information for CPPI for the comparative periods:

(millions of Canadian dollars, except per share amounts)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Sales	\$ 193.2	\$ 220.0	\$ 635.5	\$ 188.8	\$ 681.6
Reported operating income (loss) before amortization, asset write-down and impairment	\$ 18.8	\$ 11.0	\$ 31.0	\$ (27.7)	\$ (43.6)
Reported operating loss	\$ (209.3)	\$ (5.6)	\$ (230.6)	\$ (49.3)	\$ (112.4)
Adjusted operating income (loss) before amortization, asset write-down and impairment <sup>1</sup>	\$ 18.8	\$ 11.0	\$ 31.0	\$ (29.7)	\$ (35.1)
Adjusted operating income (loss) <sup>1</sup>	\$ 1.7	\$ (5.6)	\$ (19.6)	\$ (51.3)	\$ (103.9)
Net loss	\$ (156.1)	\$ (6.3)	\$ (164.8)	\$ (35.7)	\$ (82.9)
Net loss per share, basic and diluted	\$ (2.39)	\$ (0.10)	\$ (2.53)	\$ (0.55)	\$ (1.27)
Adjusted net loss <sup>1</sup>	\$ (2.1)	\$ (6.3)	\$ (10.8)	\$ (35.7)	\$ (82.9)
Adjusted net loss per share, basic and diluted <sup>1</sup>	\$ (0.03)	\$ (0.10)	\$ (0.17)	\$ (0.55)	\$ (1.27)

1. Adjusted results referenced throughout this news release are defined as non-IFRS financial measures. For further details, refer to the "Non-IFRS financial measures" section of this document.

For the third quarter of 2024, the Company reported an operating loss of \$209.3 million, including an asset write-down and impairment charge totaling \$211.0 million within its pulp segment.

In recent years, the Company, like other pulp producers in central and northern British Columbia ("BC"), has experienced a significant reduction in the supply of sawmill residual chips driven by extensive temporary and permanent sawmill curtailments and closures in the region. In response to these fibre constraints, the Company has taken several actions including securing additional fibre supply, prioritizing discretionary capital spending to maximize fibre utilization and recovery, as well as making rationalization decisions with respect to the Company's operating footprint. Notably, the Company permanently closed the pulp line at its Prince George pulp and paper mill in early 2023, and more recently, completed the wind down of one production line at the Company's Northwood Northern Bleached Softwood Kraft ("NBSK") pulp mill ("Northwood") in August. Collectively, these curtailments reduce the Company's annual market kraft pulp production by approximately 580,000 tonnes.

During the third quarter of 2024, these fibre challenges were further exacerbated by additional sawmill closure announcements in the BC Interior, which were in response to weak lumber market conditions, upcoming increases in US tariffs on lumber exports and various regulatory complexities. As a result, the reduction in fibre supply as well as the ongoing uncertainty surrounding economic fibre availability continue to impact the Company and consequently, an asset



write-down and impairment charge of \$211.0 million was recognized in the third quarter of 2024, as a reduction to the carrying value of the Company's pulp segment assets.

After adjusting for the asset write-down and impairment charge, the Company's operating income for the third quarter of 2024 was \$1.7 million, a \$7.3 million improvement compared to the second quarter of 2024. Despite some moderation in US-dollar pulp list prices to China during the current quarter, the Company's results largely reflected modestly higher NBSK pulp unit sales realizations, offset in part by reduced pulp production and shipment volumes in the period following the successful wind down of one production line at Northwood in August 2024.

### Third quarter highlights.

Global softwood pulp market fundamentals experienced downward pressure throughout the third quarter of 2024 primarily driven by weak demand from China, as well as the introduction of additional global hardwood capacity. These factors, when combined with the traditional seasonal summer slowdown in global demand, led to a moderation in purchasing activity and prices during the current period. As a result, NBSK US-dollar pulp list prices to China, the world's largest consumer of pulp, declined in the quarter to a low of US\$750 per tonne in August, before stabilizing through the balance of the period, ending September at US\$754 per tonne. For the current quarter overall, US-dollar NBSK pulp list prices to China averaged US\$771 per tonne, down US\$40 per tonne, or 5%, from the prior quarter. Other global regions, including North America, experienced a delayed impact on price moderation, as prices remained steady for most of the third quarter, with slight declines seen towards the end of the period. As a result of these market conditions, particularly in China, global softwood pulp producer inventories experienced a notable increase in the current period to well above the balanced range, ending August at 50 days of supply, an increase of 12 days compared to June 2024.

Pulp production was 125,000 tonnes for the third quarter of 2024, down 5,000 tonnes, or 4%, from the second quarter of 2024, principally reflecting the wind down of one pulp line at the Company's Northwood pulp mill, which was completed safely and efficiently in August 2024 (approximately 50,000 tonnes).

The Company's paper segment experienced an operating loss of \$0.8 million in the current quarter, compared to operating income of \$1.9 million in the previous quarter. This decline was largely driven by reduced paper production and shipments in the current period, primarily as a result of minor mechanical failures at the paper machine.

### Outlook.

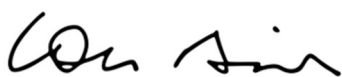
Looking forward, global softwood pulp market conditions are anticipated to experience a slight improvement through the fourth quarter of 2024, as demand from the Chinese market is forecast to gradually recover and as elevated inventory levels slowly begin to normalize following the end of the seasonally slower summer months.

Results in the fourth quarter of 2024 will reflect the full wind down of one production line at the Company's Northwood pulp mill, including the impact on pulp production (a reduction of approximately 300,000 tonnes of market kraft pulp annually), shipments and costs. Looking forward, the Company remains focused on optimizing its operating footprint, enhancing operational reliability and closely managing manufacturing and fibre costs.

In addition, the Company will continue to evaluate operating conditions and adjust operating rates at its pulp mills to align with economically viable fibre supply. These factors could also affect the Company's operating plan, liquidity, cash flows and the valuation of long-lived assets.

Demand for bleached kraft paper is projected to weaken somewhat through the fourth quarter of 2024 with a modest slowdown in kraft paper demand anticipated.

No major maintenance outages are planned for the fourth quarter of 2024.



The Honourable John R. Baird  
Chairman



Kevin A. Edgson  
President and Chief Executive Officer



## Non-IFRS financial measures.

Throughout this press release, reference is made to certain non-IFRS financial measures which are used to evaluate the Company's performance but are not generally accepted under IFRS and may not be directly comparable with similarly titled measures used by other companies. The following table provides a reconciliation of these non-IFRS financial measures to figures reported in the Company's condensed consolidated interim financial statements:

(millions of Canadian dollars)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Reported operating loss	\$ (209.3)	\$ (5.6)	\$ (230.6)	\$ (49.3)	\$ (112.4)
Asset write-down and impairment	\$ 211.0	\$ -	\$ 211.0	\$ -	\$ -
Inventory write-down (recovery)	\$ -	\$ -	\$ -	\$ (2.0)	\$ 8.5
Adjusted operating income (loss)	\$ 1.7	\$ (5.6)	\$ (19.6)	\$ (51.3)	\$ (103.9)
Amortization	\$ 17.1	\$ 16.6	\$ 50.6	\$ 21.6	\$ 68.8
Adjusted operating income (loss) before amortization, asset write-down and impairment	\$ 18.8	\$ 11.0	\$ 31.0	\$ (29.7)	\$ (35.1)

(millions of Canadian dollars)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Net loss	\$ (156.1)	\$ (6.3)	\$ (164.8)	\$ (35.7)	\$ (82.9)
Asset write-down and impairment, net of tax	\$ 154.0	\$ -	\$ 154.0	\$ -	\$ -
Adjusted net loss	\$ (2.1)	\$ (6.3)	\$ (10.8)	\$ (35.7)	\$ (82.9)



**Management's discussion and analysis.**

*This interim Management's Discussion and Analysis ("MD&A") provides a review of Canfor Pulp Products Inc.'s ("CPPI" or "the Company") financial performance for the quarter ended September 30, 2024, relative to the quarters ended June 30, 2024 and September 30, 2023, and the financial position of the Company at September 30, 2024. It should be read in conjunction with CPPI's unaudited interim consolidated financial statements and accompanying notes for the quarters ended, September 30, 2024 and 2023, as well as the 2023 annual MD&A and the 2023 audited consolidated financial statements and notes thereto, which are included in CPPI's Annual Report for the year ended December 31, 2023 (available at [www.canfor.com](http://www.canfor.com)). The financial information in this interim MD&A has been prepared in accordance with IFRS Accounting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.*

*Throughout this discussion, reference is made to Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, and Adjusted Operating Income (Loss) which CPPI considers to be a relevant indicator for measuring trends in the Company's performance and its ability to generate funds to meet its debt repayment and capital expenditure requirements, and to pay dividends. Reference is also made to Adjusted Net Income (Loss) (calculated as Net Income (Loss) less specific items affecting comparability with prior periods – for the full calculation, see reconciliation included in the section "Selected quarterly financial information") and Adjusted Net Income (Loss) per Share (calculated as Adjusted Net Income (Loss) divided by the weighted average number of shares outstanding during the period). Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share are not generally accepted earnings measures under IFRS and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, CPPI's Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of Operating Income (Loss) before Amortization, Asset Write-Down and Impairment to Operating Income (Loss) and Adjusted Net Income (Loss) to Net Income (Loss) reported in accordance with IFRS are included in the "Non-IFRS financial measures" section of this MD&A. Throughout this discussion, reference is made to the current quarter, which refers to the results for the third quarter of 2024.*

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

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

*All financial references are in millions of Canadian dollars unless otherwise noted. The information in this report is as at October 25, 2024.*

**Forward-looking statements.**

*Certain statements in this MD&A constitute "forward-looking statements" which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Words such as "expects", "anticipates", "projects", "intends", "plans", "will", "believes", "seeks", "estimates", "should", "may", "could", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on Management's current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and the Company assumes no obligation to update such information to reflect later events or developments, except as required by law.*

## Third quarter 2024.

### Overview.

(millions of Canadian dollars)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Operating loss	\$ (209.3)	\$ (5.6)	\$ (230.6)	\$ (49.3)	\$ (112.4)
Asset write-down and impairment	\$ 211.0	\$ -	\$ 211.0	\$ -	\$ -
Inventory write-down (recovery)	\$ -	\$ -	\$ -	\$ (2.0)	\$ 8.5
Adjusted operating income (loss) <sup>1</sup>	\$ 1.7	\$ (5.6)	\$ (19.6)	\$ (51.3)	\$ (103.9)
Amortization	\$ 17.1	\$ 16.6	\$ 50.6	\$ 21.6	\$ 68.8
Adjusted operating income (loss) before amortization, asset write-down and impairment <sup>1</sup>	\$ 18.8	\$ 11.0	\$ 31.0	\$ (29.7)	\$ (35.1)

1. Adjusted results are defined as a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

### Selected financial information and statistics.

(millions of Canadian dollars, except ratios)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Operating income (loss) by segment:					
Pulp	\$ (205.1)	\$ (3.6)	\$ (222.3)	\$ (50.8)	\$ (111.2)
Paper	\$ (0.8)	\$ 1.9	\$ 2.2	\$ 4.4	\$ 8.4
Unallocated	\$ (3.4)	\$ (3.9)	\$ (10.5)	\$ (2.9)	\$ (9.6)
<b>Total operating loss</b>	<b>\$ (209.3)</b>	<b>\$ (5.6)</b>	<b>\$ (230.6)</b>	<b>\$ (49.3)</b>	<b>\$ (112.4)</b>
Add: Amortization <sup>2</sup>	\$ 17.1	\$ 16.6	\$ 50.6	\$ 21.6	\$ 68.8
Add: Asset write-down and impairment	\$ 211.0	\$ -	\$ 211.0	\$ -	\$ -
<b>Total operating income (loss) before amortization, asset write-down and impairment</b>	<b>\$ 18.8</b>	<b>\$ 11.0</b>	<b>\$ 31.0</b>	<b>\$ (27.7)</b>	<b>\$ (43.6)</b>
Add (deduct):					
Working capital movements	\$ 12.0	\$ 7.0	\$ 15.9	\$ 2.8	\$ 47.8
Defined benefit plan contributions	\$ (0.5)	\$ (1.3)	\$ (2.9)	\$ (0.8)	\$ (5.0)
Income taxes recovered (paid), net	\$ (0.2)	\$ -	\$ (0.3)	\$ 1.3	\$ 0.6
Insurance proceeds	\$ -	\$ -	\$ 15.2	\$ 2.6	\$ 8.8
Other operating cash flows, net	\$ 1.4	\$ 1.4	\$ 5.7	\$ 6.5	\$ 7.6
<b>Cash from (used in) operating activities</b>	<b>\$ 31.5</b>	<b>\$ 18.1</b>	<b>\$ 64.6</b>	<b>\$ (15.3)</b>	<b>\$ 16.2</b>
Add (deduct):					
Capital additions	\$ (18.3)	\$ (14.4)	\$ (44.7)	\$ (16.6)	\$ (38.9)
Conversion of term debt	\$ -	\$ -	\$ -	\$ -	\$ (50.0)
Proceeds from sale of Taylor pulp mill	\$ -	\$ 5.0	\$ 6.9	\$ -	\$ -
Finance expenses paid	\$ (3.4)	\$ (2.9)	\$ (10.2)	\$ (2.8)	\$ (8.2)
Other, net	\$ 1.0	\$ 0.1	\$ 1.1	\$ -	\$ 0.1
<b>Change in cash / operating loans</b>	<b>\$ 10.8</b>	<b>\$ 5.9</b>	<b>\$ 17.7</b>	<b>\$ (34.7)</b>	<b>\$ (80.8)</b>
ROIC – Consolidated period-to-date <sup>3</sup>	(50.7)%	(1.2)%	(47.3)%	(9.4)%	(19.1)%
Average exchange rate (US\$ per C\$1.00) <sup>4</sup>	\$ 0.733	\$ 0.731	\$ 0.735	\$ 0.746	\$ 0.743

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

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

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

For the third quarter of 2024, the Company reported an operating loss of \$209.3 million, including an asset write-down and impairment charge totaling \$211.0 million within its pulp segment.

In recent years, the Company, like other pulp producers in central and northern British Columbia ("BC"), has experienced a significant reduction in the supply of sawmill residual chips driven by extensive temporary and permanent sawmill curtailments and closures in the region. In response to these fibre constraints, the Company has taken several actions including securing additional fibre supply, prioritizing discretionary capital spending to maximize fibre utilization and recovery, as well as making rationalization decisions with respect to the Company's operating footprint. Notably, the Company permanently closed the pulp line at its Prince George pulp and



paper mill in early 2023, and more recently, completed the wind down of one production line at the Company's Northwood Northern Bleached Softwood Kraft ("NBSK") pulp mill ("Northwood") in August. Collectively, these curtailments reduce the Company's annual market kraft pulp production by approximately 580,000 tonnes.

During the third quarter of 2024, these fibre challenges were further exacerbated by additional sawmill closure announcements in the BC Interior, which were in response to weak lumber market conditions, upcoming increases in US tariffs on lumber exports and various regulatory complexities. As a result, the reduction in fibre supply as well as the ongoing uncertainty surrounding economic fibre availability continue to impact the Company and consequently, an asset write-down and impairment charge of \$211.0 million was recognized in the third quarter of 2024, as a reduction to the carrying value of the Company's pulp segment assets.

After adjusting for the asset write-down and impairment charge, the Company's operating income for the third quarter of 2024 was \$1.7 million, a \$7.3 million improvement compared to the second quarter of 2024. Despite some moderation in US-dollar pulp list prices to China during the current quarter, the Company's results largely reflected modestly higher NBSK pulp unit sales realizations, offset in part by reduced pulp production and shipment volumes in the period following the successful wind down of one production line at Northwood in August 2024.

Compared to the third quarter of 2023, adjusted operating results improved \$53.0 million, driven by a significant uplift in global pulp pricing quarter-over-quarter and substantially higher average NBSK pulp unit sales realizations, along with moderately lower pulp unit manufacturing costs due to supply chain disruptions and persistent reliability challenges in the comparative period.

## Operating results by business segment.

### Pulp.

#### Selected financial information and statistics – pulp.

(millions of Canadian dollars, unless otherwise noted)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Sales	\$ 142.9	\$ 164.2	\$ 477.6	\$ 142.3	\$ 527.3
Operating income (loss) before amortization, asset write-down and impairment <sup>5</sup>	\$ 21.6	\$ 11.8	\$ 35.9	\$ (29.9)	\$ (44.2)
Operating loss	\$ (205.1)	\$ (3.6)	\$ (222.3)	\$ (50.8)	\$ (111.2)
Asset write-down and impairment	\$ 211.0	\$ -	\$ 211.0	\$ -	\$ -
Inventory write-down (recovery)	\$ -	\$ -	\$ -	\$ (2.0)	\$ 8.5
Adjusted operating income (loss) <sup>6</sup>	\$ 5.9	\$ (3.6)	\$ (11.3)	\$ (52.8)	\$ (102.7)
Average NBSK pulp list price delivered to China – US\$ <sup>7</sup>	\$ 771	\$ 811	\$ 776	\$ 680	\$ 746
Average NBSK pulp list price delivered to China – Cdn\$ <sup>7</sup>	\$ 1,052	\$ 1,109	\$ 1,056	\$ 912	\$ 1,004
Production – pulp (000 mt)	125	130	413	123	455
Shipments – pulp (000 mt)	125	145	429	142	473

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

6. Adjusted results are defined as a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

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

### Markets.

Global softwood pulp market fundamentals experienced downward pressure throughout the third quarter of 2024 primarily driven by weak demand from China, as well as the introduction of additional global hardwood capacity. These factors, when combined with the traditional seasonal summer slowdown in global demand, led to a moderation in purchasing activity and prices during the current period. As a result, NBSK US-dollar pulp list prices to China, the world's largest consumer of pulp, declined in the quarter to a low of US\$750 per tonne in August, before stabilizing through the balance of the period, ending September at US\$754 per tonne. For the current quarter overall, US-dollar NBSK pulp list prices to China averaged US\$771 per tonne, down US\$40 per tonne, or 5%, from the prior quarter. Compared to the same period in the prior year, however, pulp list prices to China were up US\$91 per tonne, or 13%.

Other global regions, including North America, experienced a delayed impact on price moderation, as prices remained steady for most of the third quarter, with slight declines seen towards the end of the period. Consequently, US-dollar NBSK pulp list prices to North America averaged US\$1,762 per tonne (before discounts) for the third quarter of 2024, up US\$65 per tonne, or 4%, compared to the second quarter of 2024, and increased US\$469 per tonne, or 36%, compared to the same period in the prior year.





As a result of these aforementioned market conditions, particularly in China, global softwood pulp producer inventories experienced a notable increase through the third quarter to well above the balanced range, ending August at 50 days of supply<sup>8</sup>, an increase of 12 days compared to June 2024. Market conditions are generally considered balanced when inventories are in the 32-43 days of supply range<sup>8</sup>.

#### **Sales.**

The Company's pulp shipments for the third quarter of 2024 totaled 125,000 tonnes, down 20,000 tonnes, or 14%, from the previous quarter, primarily driven by a 4% reduction in pulp production, combined with a drawdown of inventory levels in the comparative period as a result of a delayed restart of the Intercontinental NBSK pulp mill ("Intercon") following its scheduled maintenance in May.

Compared to the third quarter of 2023, pulp shipments were down 17,000 tonnes, or 12%, largely due to shipments in the comparative period being uplifted, to a degree, by a drawdown of inventory following the closure of the pulp line at the Company's Prince George pulp and paper mill in April 2023.

Notwithstanding weaker US-dollar NBSK pulp list prices to China in the current period, the Company's average NBSK pulp unit sales realizations experienced a modest increase compared to the previous quarter, principally driven by the aforementioned improvement in pricing to other global regions early in the period, primarily North America, coupled with a favourable timing lag in shipments versus orders.

Compared to the third quarter of 2023, the Company's average NBSK pulp unit sales realizations experienced a substantial increase, primarily attributable to improved market fundamentals quarter-over-quarter, including a 13% increase in US-dollar NBSK pulp list prices to China and a 36% increase in pricing to North America (before discounts), combined with a 1 cent, or 2%, weaker Canadian dollar.

Energy revenues decreased in the current quarter compared to both comparative periods, largely due to a decline in power generation quarter-over-quarter driven by reduced pulp production.

#### **Operations.**

Pulp production was 125,000 tonnes for the third quarter of 2024, down 5,000 tonnes, or 4%, from the second quarter of 2024, principally reflecting the wind down of one pulp line at the Company's Northwood pulp mill, which was completed safely and efficiently in August 2024 (approximately 50,000 tonnes).

In the second quarter of 2024, the Company's pulp production primarily reflected extended downtime at Intercon to address unforeseen recovery boiler repairs identified during its scheduled maintenance outage, as well as pulp from Northwood being redirected to supply the Company's specialty paper facility (combined, approximately 55,000 tonnes).

Compared to the third quarter of 2023, pulp production was up 2,000 tonnes, or 2%, as the aforementioned indefinite closure in the current period, was offset by planned and unplanned downtime in the comparative period. In the third quarter of 2023, pulp production was impacted by a scheduled maintenance outage and persistent reliability challenges at Northwood, as well as supply chain disruptions exacerbated by a labour dispute at the Ports of Vancouver and Prince Rupert (combined, approximately 65,000 tonnes).

Notwithstanding reduced pulp production in the current quarter, pulp unit manufacturing costs were slightly lower compared to the second quarter of 2024, principally reflecting seasonally lower energy pricing and usage combined with reduced chemical spend, offset to a degree, by higher fibre costs. While the proportion of higher cost whole log chips was relatively unchanged quarter-over-quarter, fibre costs were modestly higher than the previous quarter largely due to an increase in market-based prices for sawmill residual chips (linked to an uplift in Canadian dollar NBSK pulp sales realizations).

Compared to the third quarter of 2023, pulp unit manufacturing costs were moderately lower, as a modest decrease in fibre costs was combined with reduced energy and maintenance spend in the current period.

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



## Paper.

### Selected financial information and statistics – paper.

(millions of Canadian dollars, unless otherwise noted)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Sales	\$ 50.3	\$ 55.8	\$ 157.9	\$ 46.5	\$ 154.3
Operating income before amortization <sup>9</sup>	\$ 0.5	\$ 3.1	\$ 5.5	\$ 5.0	\$ 10.1
Operating income (loss)	\$ (0.8)	\$ 1.9	\$ 2.2	\$ 4.4	\$ 8.4
Production – paper (000 mt)	30	32	94	32	96
Shipments – paper (000 mt)	31	36	102	30	97

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

## Markets.

Global kraft paper market demand and pricing remained stable through the third quarter of 2024, largely attributable to relatively balanced supply and demand conditions, despite a traditionally slower summer period.

## Sales.

The Company's paper shipments in the third quarter of 2024 were 31,000 tonnes, down 5,000 tonnes from the previous quarter, and broadly in line with the third quarter of 2023. The former was principally tied to reduced production in the current quarter combined with the timing of shipments around quarter-end compared to the comparative period.

Paper unit sales realizations in the third quarter of 2024 were modestly higher than both comparative periods, largely associated with a favourable timing lag in shipments versus orders.

## Operations.

Paper production for the third quarter of 2024 was 30,000 tonnes, down 2,000 tonnes from both the second quarter of 2024 and the third quarter of 2023, principally due to minor mechanical failures which resulted in additional repair time and reduced productivity in the current quarter.

Despite reduced paper production in the current quarter, paper unit manufacturing costs were slightly lower than the second quarter of 2024, primarily reflecting reduced chemical and energy spend. Compared to the third quarter of 2023, paper unit manufacturing costs saw a substantial increase, largely driven by higher slush pulp costs (correlated with the increase in Canadian dollar NBSK pulp unit sales realizations), offset in part by lower conversion costs quarter-over-quarter.

## Unallocated items.

### Selected financial information.

(millions of Canadian dollars)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Corporate costs	\$ (3.4)	\$ (3.9)	\$ (10.5)	\$ (2.9)	\$ (9.6)
Finance expense, net	\$ (3.6)	\$ (3.7)	\$ (11.5)	\$ (3.3)	\$ (9.6)
Other income (expense), net	\$ (0.7)	\$ 0.7	\$ 16.5	\$ 3.2	\$ 8.5

Corporate costs were \$3.4 million for the third quarter of 2024, down \$0.5 million from the previous quarter and up \$0.5 million from the third quarter of 2023, largely reflecting changes in head office and general administrative expenses in the current period.

Net finance expense for the third quarter of 2024 was \$3.6 million, broadly in line with the previous quarter and up \$0.3 million compared to the same period in the prior year. The latter was primarily due to higher financing fees associated with letters of credit and, to a lesser extent, an increase in interest expense for the Company's operating loan facility in the current quarter.

Other expense, net, of \$0.7 million in the third quarter of 2024 was principally related to unfavourable foreign exchange movements on US-dollar denominated working capital balances at the end of the current period compared to the end of the prior quarter. Other income, net, of \$0.7 million in the second quarter of 2024 was largely due to favourable foreign exchange movements on US-dollar denominated working capital balances, while other income, net of \$3.2 million in the third quarter of 2023 primarily reflected the receipt of insurance



proceeds related to operational downtime experienced at Northwood in recent years, combined with foreign exchange movements on US-dollar denominated working capital balances.

#### Other comprehensive income (loss).

In the third quarter of 2024, the Company recorded a gain of \$1.2 million (before tax) related to changes in the valuation of the Company's defined benefit plans (comprised of defined benefit pension plans as well as other benefit plans), principally reflecting a greater than anticipated return on plan assets, offset to a degree, by a 0.1% decrease in the discount rate used to value the net defined benefit obligations. This compared to a loss of \$3.2 million (before tax) in the second quarter of 2024, largely driven by a lower than anticipated return on plan assets, and to a lesser extent, a 0.1% decrease in the discount rate used to value the net defined benefit obligations. In the third quarter of 2023, the Company recorded a loss of \$0.6 million (before tax), as a 0.3% increase in the discount rate used to value the net defined benefit obligations was more than offset by lower than anticipated returns on plan assets.

#### Summary of financial position.

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

(millions of Canadian dollars, except ratios)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Increase (decrease) in cash and cash equivalents	\$ 5.8	\$ (2.1)	\$ 8.7	\$ (8.6)	\$ (14.7)
Operating activities	\$ 31.5	\$ 18.1	\$ 64.6	\$ (15.3)	\$ 16.2
Financing activities	\$ (8.5)	\$ (11.0)	\$ (19.6)	\$ 23.2	\$ 7.4
Investing activities	\$ (17.2)	\$ (9.2)	\$ (36.3)	\$ (16.5)	\$ (38.3)
Ratio of current assets to current liabilities	0.9:1	0.9:1	0.9:1	1.0:1	1.0:1
Net debt to total capitalization <sup>10</sup>	28.2%	19.4%	28.2%	18.9%	18.9%

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

#### Operating activities.

Cash generated from operating activities in the third quarter of 2024 was \$31.5 million, compared to cash generated of \$18.1 million in the second quarter of 2024 and cash used of \$15.3 million in the third quarter of 2023. The \$13.4 million increase in operating cash flows compared to the previous quarter and the \$46.8 million improvement in operating cash flows compared to the third quarter of 2023 were both largely due to higher cash earnings in the current quarter, as well as favourable movements in non-cash working capital, driven principally by a timing-related decrease in trade accounts receivable balances at the end of the current period.

#### Financing activities.

Cash used for financing activities in the third quarter of 2024 was \$8.5 million, compared to cash used of \$11.0 million in the second quarter of 2024 and cash generated of \$23.2 million in the third quarter of 2023. Financing activities in the current and prior quarter primarily reflected repayments of the Company's operating loan facility (\$5.0 million in the third quarter of 2024 and \$8.0 million in the second quarter of 2024), as well as interest expense and financing fees associated with letters of credit. Cash generated from financing activities in the third quarter of 2023 was principally comprised of a \$26.1 million draw-down on the Company's operating loan facility, partially offset by interest expense.

#### Investing activities.

Cash used for investing activities of \$17.2 million in the current quarter, as well as both comparative periods, was predominantly associated with maintenance-of-business capital spend. Investing activities in the second quarter of 2024 included a \$5.0 million receipt relating to the sale of the Company's Taylor Bleached Chemi-Thermo Mechanical Pulp mill in February 2024.

#### Liquidity and financial requirements.

At September 30, 2024, the Company had a \$160.0 million unsecured operating loan facility, with \$98.0 million of the facility drawn, and \$6.5 million reserved for several standby letters of credit, leaving \$55.5 million available and undrawn on its operating loan facility at the end of the current quarter.

The terms of the Company's operating loan facility include interest payable at floating rates that vary depending on the ratio of debt to total capitalization, and is based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin. The operating loan facility is repayable on May 2, 2027, and has certain financial covenants, including a maximum



debt to total capitalization ratio of 50.0% and a minimum EBITDA interest coverage ratio of two times, which becomes effective if the net debt to total capitalization ratio exceeds 42.5%. As at September 30, 2024, the Company was fully in compliance with all covenants relating to its operating loan facility.

In 2023, the Company secured a commitment to receive up to \$80.0 million of non-revolving term debt to support the Company's continued re-investment in its facilities, specifically Northwood's recovery boiler number one ("RB1"). This non-revolving term debt has a maturity date of May 2, 2027, with interest payable at floating interest rates consistent with its operating loan facility. As at September 30, 2024, this non-revolving term debt remains undrawn.

At September 30, 2024, the Company had total net debt of \$68.2 million, a \$10.8 million decrease from net debt of \$79.0 million at the end of the previous quarter. At September 30, 2024, the Company had available liquidity of \$165.3 million, of which \$80.0 million relates to the non-revolving term debt and is restricted for use on the re-investment of Northwood's RB1.

## **Outlook.**

### **Pulp and paper markets.**

Looking forward, global softwood pulp market conditions are anticipated to experience a slight improvement through the fourth quarter of 2024, as demand from the Chinese market is forecast to gradually recover and as elevated inventory levels slowly begin to normalize following the end of the seasonally slower summer months.

Results in the fourth quarter of 2024 will reflect the full wind down of one production line at the Company's Northwood pulp mill, including the impact on pulp production (a reduction of approximately 300,000 tonnes of market kraft pulp annually), shipments and costs. Looking forward, the Company remains focused on optimizing its operating footprint, enhancing operational reliability as well as closely managing manufacturing and fibre costs.

In addition, the Company will continue to evaluate operating conditions and adjust operating rates at its pulp mills to align with economically viable fibre supply. These factors could also affect the Company's operating plan, liquidity, cash flows and the valuation of long-lived assets.

Demand for bleached kraft paper is projected to weaken somewhat through the fourth quarter of 2024 with a modest slowdown in kraft paper demand anticipated.

No major maintenance outages are planned for the fourth quarter of 2024.

### **Outstanding shares.**

As at September 30, 2024 and October 25, 2024, there were 65,233,559 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

### **Critical accounting estimates.**

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the amounts recorded in the financial statements. On an ongoing basis, Management reviews its estimates, including those related to useful lives for amortization, impairment of long-lived assets, pension and other employee future benefit plans and asset retirement obligations based upon currently available information. While it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates, Management does not believe it is likely that any such differences will materially affect the Company's financial condition.

### **Internal controls over financial reporting.**

During the quarter ended September 30, 2024, there were no changes in the Company's internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

### **Risks and uncertainties.**

A comprehensive discussion of risks and uncertainties is included in the Company's 2023 annual statutory reports, which are available on [canfor.com](https://www.canfor.com) or [sedarplus.com](https://www.sedarplus.com).



Sales are primarily influenced by changes in market pulp prices, sales volumes, global supply chain networks and fluctuations in Canadian dollar exchange rates. Operating income (loss), net income (loss) and operating income (loss) before amortization, asset write-down and impairment are primarily impacted by: sales revenue; freight costs; fluctuations of fibre, chemical and energy prices; level of spending and timing of maintenance downtime; and production curtailments. Net income (loss) is also impacted by fluctuations in Canadian dollar exchange rates, and the revaluation to the period end rate of US-dollar denominated working capital balances.

### Selected quarterly financial information.

	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
<b>Sales and income (loss)</b> (millions of Canadian dollars)								
Sales	\$ 193.2	\$ 220.0	\$ 222.3	\$ 193.9	\$ 188.8	\$ 249.5	\$ 243.3	\$ 268.1
Operating income (loss) before amortization, asset write-down and impairment <sup>11</sup>	\$ 18.8	\$ 11.0	\$ 1.2	\$ 1.1	\$ (27.7)	\$ (15.3)	\$ (0.6)	\$ (15.1)
Operating loss	\$ (209.3)	\$ (5.6)	\$ (15.7)	\$ (15.1)	\$ (49.3)	\$ (37.9)	\$ (25.2)	\$ (91.1)
Net loss	\$ (156.1)	\$ (6.3)	\$ (2.4)	\$ (13.2)	\$ (35.7)	\$ (28.4)	\$ (18.8)	\$ (69.8)
<b>Per common share</b> (Canadian dollars)								
Net loss per share – basic and diluted	\$ (2.39)	\$ (0.10)	\$ (0.04)	\$ (0.20)	\$ (0.55)	\$ (0.44)	\$ (0.29)	\$ (1.07)
Book value per share <sup>12</sup>	\$ 2.66	\$ 5.04	\$ 5.17	\$ 5.17	\$ 5.34	\$ 5.89	\$ 6.29	\$ 6.55
<b>Statistics</b>								
Pulp shipments (000 mt)	125	145	159	136	142	179	152	170
Paper shipments (000 mt)	31	36	35	32	30	32	35	32
Average exchange rate – US\$/Cdn\$	\$ 0.733	\$ 0.731	\$ 0.741	\$ 0.734	\$ 0.746	\$ 0.745	\$ 0.740	\$ 0.736
Average NBSK pulp list price delivered to China (US\$)	\$ 771	\$ 811	\$ 745	\$ 748	\$ 680	\$ 668	\$ 891	\$ 920

11. Amortization includes amortization of certain capitalized major maintenance costs; includes an asset write-down and impairment charge totaling \$211.0 million in Q3 2024 and \$49.6 million in Q4 2022.

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

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

After-tax impact (millions of Canadian dollars, except for per share amounts)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
<b>Net loss, as reported</b>	\$ (156.1)	\$ (6.3)	\$ (2.4)	\$ (13.2)	\$ (35.7)	\$ (28.4)	\$ (18.8)	\$ (69.8)
Asset write-down and impairment, net of tax	\$ 154.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36.2
<b>Adjusted loss<sup>13</sup></b>	\$ (2.1)	\$ (6.3)	\$ (2.4)	\$ (13.2)	\$ (35.7)	\$ (28.4)	\$ (18.8)	\$ (33.6)
<b>Net loss per share (EPS), as reported</b>	\$ (2.39)	\$ (0.10)	\$ (0.04)	\$ (0.20)	\$ (0.55)	\$ (0.44)	\$ (0.29)	\$ (1.07)
Net impact of above items per share	\$ 2.36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.55
<b>Adjusted net loss per share<sup>13</sup></b>	\$ (0.03)	\$ (0.10)	\$ (0.04)	\$ (0.20)	\$ (0.55)	\$ (0.44)	\$ (0.29)	\$ (0.52)

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



## Non-IFRS financial measures.

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

(millions of Canadian dollars)	Q3 2024	Q2 2024	Q3 2023
Operating loss	\$ (209.3)	\$ (5.6)	\$ (49.3)
Asset write-down and impairment	\$ 211.0	\$ -	\$ -
Inventory write-down (recovery)	\$ -	\$ -	\$ (2.0)
Adjusted operating income (loss)	\$ 1.7	\$ (5.6)	\$ (51.3)
Amortization	\$ 17.1	\$ 16.6	\$ 21.6
Adjusted operating income (loss) before amortization, asset write-down and impairment	\$ 18.8	\$ 11.0	\$ (29.7)

(millions of Canadian dollars, except ratios)	Q3 2024	Q2 2024	Q3 2023
Operating loss	\$ (209.3)	\$ (5.6)	\$ (49.3)
Other income, net	\$ -	\$ -	\$ 2.5
Return	\$ (209.3)	\$ (5.6)	\$ (46.8)
Average invested capital <sup>14</sup>	\$ 412.9	\$ 477.8	\$ 499.9
Return on invested capital (ROIC)	(50.7%)	(1.2%)	(9.4%)

14. Average invested capital represents the average during the period of total assets excluding cash and cash equivalents and total liabilities excluding term debt, retirement benefit obligations and deferred taxes.

(millions of Canadian dollars, except ratios)	As at September 30, 2024	As at December 31, 2023	As at September 30, 2023
Operating loans	\$ 98.0	\$ 107.0	\$ 81.1
Less: cash and cash equivalents	\$ 29.8	\$ 21.1	\$ -
Net debt	\$ 68.2	\$ 85.9	\$ 81.1
Total equity	\$ 173.4	\$ 337.1	\$ 348.1
Total capitalization	\$ 241.6	\$ 423.0	\$ 429.2
Net debt to total capitalization	28.2%	20.3%	18.9%



# Canfor Pulp Products Inc.

## Condensed Consolidated Balance Sheets

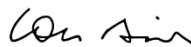
(millions of Canadian dollars, unaudited)	As at September 30, 2024	As at December 31, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 29.8	\$ 21.1
Trade receivables	36.1	47.8
Other receivables	8.5	6.3
Income taxes recoverable	-	0.2
Inventories (Note 2)	140.8	165.9
Prepaid expenses and other	12.0	10.2
<b>Total current assets</b>	<b>227.2</b>	<b>251.5</b>
<b>Property, plant and equipment and intangible assets (Note 10)</b>	<b>195.0</b>	<b>415.8</b>
<b>Right-of-use assets</b>	<b>1.4</b>	<b>1.7</b>
<b>Other long-term assets</b>	<b>6.2</b>	<b>6.8</b>
<b>Deferred income taxes, net</b>	<b>40.8</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 470.6</b>	<b>\$ 675.8</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 149.5	\$ 159.7
Operating loan (Note 3(a))	98.0	107.0
Current portion of lease obligations	1.0	0.8
<b>Total current liabilities</b>	<b>248.5</b>	<b>267.5</b>
<b>Retirement benefit obligations (Note 4)</b>	<b>38.6</b>	<b>39.0</b>
<b>Lease obligations</b>	<b>1.4</b>	<b>1.4</b>
<b>Other long-term liabilities</b>	<b>8.7</b>	<b>10.2</b>
<b>Deferred income taxes, net</b>	<b>-</b>	<b>20.6</b>
<b>Total liabilities</b>	<b>\$ 297.2</b>	<b>\$ 338.7</b>
<b>EQUITY</b>		
Share capital	\$ 480.8	\$ 480.8
Accumulated deficit	(307.4)	(143.7)
<b>Total equity</b>	<b>\$ 173.4</b>	<b>\$ 337.1</b>
<b>Total liabilities and equity</b>	<b>\$ 470.6</b>	<b>\$ 675.8</b>

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

APPROVED BY THE BOARD



Director, N.J. Mayr



Director, The Hon. J.R. Baird

## Canfor Pulp Products Inc.

### Condensed Consolidated Statements of Income (Loss)

(millions of Canadian dollars, except per share data, unaudited)	3 months ended September 30,		9 months ended September 30,	
	<b>2024</b>	2023	<b>2024</b>	2023
<b>Sales</b>	<b>\$ 193.2</b>	\$ 188.8	<b>\$ 635.5</b>	\$ 681.6
<b>Costs and expenses</b>				
Manufacturing and product costs	144.2	184.8	506.5	616.2
Freight and other distribution costs	23.6	25.2	76.9	87.9
Amortization	17.1	21.6	50.6	68.8
Selling and administration costs	6.6	6.5	21.1	21.1
Asset write-downs and impairments (Note 10)	211.0	-	211.0	-
	<b>402.5</b>	238.1	<b>866.1</b>	794.0
<b>Operating loss</b>	<b>(209.3)</b>	(49.3)	<b>(230.6)</b>	(112.4)
Finance expense, net	(3.6)	(3.3)	(11.5)	(9.6)
Other income (expense), net	(0.7)	3.2	16.5	8.5
Net loss before income taxes	<b>(213.6)</b>	(49.4)	<b>(225.6)</b>	(113.5)
Income tax recovery (Note 5)	57.5	13.7	60.8	30.6
<b>Net loss</b>	<b>\$ (156.1)</b>	\$ (35.7)	<b>\$ (164.8)</b>	\$ (82.9)
<b>Net loss per common share:</b> (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 6)	<b>\$ (2.39)</b>	\$ (0.55)	<b>\$ (2.53)</b>	\$ (1.27)

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



## Canfor Pulp Products Inc.

### Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	<b>2024</b>	2023	<b>2024</b>	2023
<b>Net loss</b>	<b>\$ (156.1)</b>	\$ (35.7)	<b>\$ (164.8)</b>	\$ (82.9)
<b>Other comprehensive income (loss)</b>				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains (losses), net (Note 4)	1.2	(0.6)	1.5	4.9
Income tax recovery (expense) on defined benefit plan actuarial gains (losses), net (Note 5)	<b>(0.3)</b>	0.2	<b>(0.4)</b>	(1.3)
Other comprehensive income (loss), net of tax	<b>0.9</b>	(0.4)	<b>1.1</b>	3.6
<b>Total comprehensive loss</b>	<b>\$ (155.2)</b>	\$ (36.1)	<b>\$ (163.7)</b>	\$ (79.3)

### Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	<b>2024</b>	2023	<b>2024</b>	2023
<b>Share capital</b>				
Balance at beginning and end of period	<b>\$ 480.8</b>	\$ 480.8	<b>\$ 480.8</b>	\$ 480.8
<b>Accumulated deficit</b>				
Balance at beginning of period	<b>\$ (152.2)</b>	\$ (96.6)	<b>\$ (143.7)</b>	\$ (53.4)
Net loss	<b>(156.1)</b>	(35.7)	<b>(164.8)</b>	(82.9)
Other comprehensive income (loss), net of tax	<b>0.9</b>	(0.4)	<b>1.1</b>	3.6
Balance at end of period	<b>\$ (307.4)</b>	\$ (132.7)	<b>\$ (307.4)</b>	\$ (132.7)
<b>Total equity</b>	<b>\$ 173.4</b>	\$ 348.1	<b>\$ 173.4</b>	\$ 348.1

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

# Canfor Pulp Products Inc.

## Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
<b>Cash generated from (used in):</b>				
<b>Operating activities</b>				
Net loss	\$ (156.1)	\$ (35.7)	\$ (164.8)	\$ (82.9)
Items not affecting cash:				
Amortization	17.1	21.6	50.6	68.8
Income tax recovery (Note 5)	(57.5)	(13.7)	(60.8)	(30.6)
Employee future benefits expense	0.4	0.2	1.3	1.2
Finance expense, net	3.6	3.3	11.5	9.6
Asset write-downs and impairments (Note 10)	211.0	-	211.0	-
Other, net	1.7	5.7	3.1	6.7
Defined benefit plan contributions	(0.5)	(0.8)	(2.9)	(5.0)
Income taxes recovered (paid), net	(0.2)	1.3	(0.3)	0.6
	19.5	(18.1)	48.7	(31.6)
Net change in non-cash working capital (Note 7)	12.0	2.8	15.9	47.8
	31.5	(15.3)	64.6	16.2
<b>Financing activities</b>				
Operating loan drawings (repayments), net (Note 3(a))	(5.0)	26.1	(9.0)	66.1
Conversion of term debt	-	-	-	(50.0)
Payments of lease obligations	(0.1)	(0.1)	(0.4)	(0.5)
Finance expenses paid	(3.4)	(2.8)	(10.2)	(8.2)
	(8.5)	23.2	(19.6)	7.4
<b>Investing activities</b>				
Additions to property, plant and equipment and intangible assets	(18.3)	(16.6)	(44.7)	(38.9)
Proceeds from sale of Taylor pulp mill	-	-	6.9	-
Other, net	1.1	0.1	1.5	0.6
	(17.2)	(16.5)	(36.3)	(38.3)
<b>Increase (decrease) in cash and cash equivalents*</b>	<b>5.8</b>	<b>(8.6)</b>	<b>8.7</b>	<b>(14.7)</b>
Cash and cash equivalents at beginning of period*	24.0	8.6	21.1	14.7
<b>Cash and cash equivalents at end of period*</b>	<b>\$ 29.8</b>	<b>\$ -</b>	<b>\$ 29.8</b>	<b>\$ -</b>

\*Cash and cash equivalents include cash on hand less unrepresented cheques.

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

# Canfor Pulp Products Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

### 1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, and include the accounts of Canfor Pulp Products Inc. and its subsidiary entities, hereinafter referred to as "CPPI" or "the Company." At September 30, 2024 and October 25, 2024, Canfor Corporation ("Canfor") held a 54.8% interest in CPPI.

These financial statements do not include all of the disclosures required by IFRS Accounting Standards ("IFRS") for annual financial statements. Additional disclosures relevant to the understanding of these financial statements, including the accounting policies applied, can be found in the Company's Annual Report for the year ended December 31, 2023, available at [www.canfor.com](http://www.canfor.com) or [www.sedarplus.com](http://www.sedarplus.com).

These financial statements were authorized for issue by the Company's Board of Directors on October 25, 2024.

### 2. Inventories

(millions of Canadian dollars, unaudited)	As at September 30, 2024	As at December 31, 2023
Pulp	\$ 40.8	\$ 54.4
Paper	22.4	31.2
Wood chips and logs	27.8	30.6
Materials and supplies	49.8	49.7
	<u>\$ 140.8</u>	<u>\$ 165.9</u>

The above inventory balances are stated at the lower of cost and net realizable value. For the three and nine months ended September 30, 2024, no inventory valuation adjustment was recognized. For the three months ended September 30, 2023, a \$2.0 million reversal of a previously recognized inventory write-down was recognized (nine months ended September 30, 2023 - \$8.5 million net write-down expense). At September 30, 2024, no inventory provision has been recognized (December 31, 2023 - no inventory provision).

### 3. Operating Loan and Term Debt

#### (a) Available Operating Loan

(millions of Canadian dollars, unaudited)	As at September 30, 2024	As at December 31, 2023
Operating loan facility	\$ 160.0	\$ 160.0
Letters of credit	(6.5)	(6.9)
Operating loan facility drawn	(98.0)	(107.0)
Total available operating loan facility	<u>\$ 55.5</u>	<u>\$ 46.1</u>

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

The operating loan facility is repayable on May 2, 2027 and has certain financial covenants, including a maximum debt to total capitalization ratio. At September 30, 2024, the Company was fully in compliance with all covenants relating to its operating loan facility.

#### (b) Term Debt

The Company's \$80.0 million of non-revolving term debt is restricted for use on the continued re-investment in its facilities, specifically Northwood Northern Bleached Softwood Kraft pulp mill's ("Northwood") recovery boiler number one ("RB1").

This non-revolving term debt has a maturity date of May 2, 2027, with interest payable at floating interest rates consistent with its operating loan facility. At September 30, 2024, the Company was fully in compliance with all covenants relating to its non-revolving term debt which remains undrawn.

#### 4. Employee Future Benefits

For the three months ended September 30, 2024, actuarial gains of \$1.2 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations (comprised of defined benefit plans as well as other benefit plans), principally reflecting a higher than anticipated return on plan assets, offset to a degree, by a 0.1% decrease in the discount rate used to value the net defined benefit obligations. For the nine months ended September 30, 2024, actuarial gains of \$1.5 million (before tax) were recognized in other comprehensive income (loss).

For the three months ended September 30, 2023, actuarial losses of \$0.6 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations, principally reflecting lower than anticipated returns on plan assets, offset in part by a 0.3% increase in the discount rate used to value the net defined benefit obligations. For the nine months ended September 30, 2023, actuarial gains of \$4.9 million (before tax) were recognized in other comprehensive income (loss).

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

	Defined Benefit Pension Plans	Other Benefit Plans
September 30, 2024	4.7%	4.7%
June 30, 2024	4.8%	4.8%
December 31, 2023	4.6%	4.6%
September 30, 2023	5.2%	5.2%
June 30, 2023	4.9%	4.9%
December 31, 2022	4.8%	4.8%

#### 5. Income Taxes

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

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
Current	\$ (0.2)	\$ (0.2)	\$ (0.6)	\$ (0.8)
Deferred	57.7	13.9	61.4	31.4
Income tax recovery	\$ 57.5	\$ 13.7	\$ 60.8	\$ 30.6

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

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
Income tax recovery at statutory rate of 27.0% (2023 – 27.0%)	\$ 57.7	\$ 13.3	\$ 60.9	\$ 30.6
Add (deduct):				
Entities with different income tax rates and other tax adjustments	(0.2)	-	(0.1)	0.1
Permanent difference from capital gains and losses and other non-deductible items	-	0.4	-	(0.1)
Income tax recovery	\$ 57.5	\$ 13.7	\$ 60.8	\$ 30.6

In addition to the amounts recorded to net income (loss), a tax expense of \$0.3 million was recorded to other comprehensive income (loss) in relation to actuarial gains on the Company's defined benefit plans for the three months ended September 30, 2024. A tax expense of \$0.4 million was recorded to other comprehensive income (loss) in relation to actuarial gains on the Company's defined benefit plans for the nine months ended September 30, 2024 (three and nine months ended September 30, 2023 – \$0.2 million recovery and \$1.3 million expense, respectively).

## 6. Earnings (Loss) Per Common Share

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

	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
Weighted average number of common shares	65,233,559	65,233,559	65,233,559	65,233,559

As at September 30, 2024, and October 25, 2024, there were 65,233,559 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

## 7. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
Accounts receivable	\$ 10.9	\$ 6.0	\$ 9.7	\$ 31.4
Inventories	(6.3)	9.7	20.9	28.3
Prepaid expenses and other	(5.5)	6.0	(1.8)	10.3
Accounts payable and accrued liabilities	12.9	(18.9)	(12.9)	(22.2)
Net change in non-cash working capital	\$ 12.0	\$ 2.8	\$ 15.9	\$ 47.8

## 8. Segment Information

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

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
<b>3 months ended September 30, 2024</b>					
Sales from contracts with customers	\$ 142.9	\$ 50.3	\$ -	\$ -	\$ 193.2
Sales to other segments	25.3	-	-	(25.3)	-
Operating loss	(205.1)	(0.8)	(3.4)	-	(209.3)
Amortization	15.7	1.3	0.1	-	17.1
Capital expenditures <sup>1</sup>	17.3	1.0	-	-	18.3
3 months ended September 30, 2023					
Sales from contracts with customers	\$ 142.3	\$ 46.5	\$ -	\$ -	\$ 188.8
Sales to other segments	22.9	-	-	(22.9)	-
Operating income (loss)	(50.8)	4.4	(2.9)	-	(49.3)
Amortization	20.9	0.6	0.1	-	21.6
Capital expenditures <sup>1</sup>	15.9	0.5	0.2	-	16.6
<b>9 months ended September 30, 2024</b>					
Sales from contracts with customers	\$ 477.6	\$ 157.9	\$ -	\$ -	\$ 635.5
Sales to other segments	68.2	-	-	(68.2)	-
Operating income (loss)	(222.3)	2.2	(10.5)	-	(230.6)
Amortization	47.2	3.3	0.1	-	50.6
Capital expenditures <sup>1</sup>	41.1	3.6	-	-	44.7
Total assets	310.6	75.1	84.9	-	470.6
9 months ended September 30, 2023					
Sales from contracts with customers	\$ 527.3	\$ 154.3	\$ -	\$ -	\$ 681.6
Sales to other segments	81.7	-	-	(81.7)	-
Operating income (loss)	(111.2)	8.4	(9.6)	-	(112.4)
Amortization	67.0	1.7	0.1	-	68.8
Capital expenditures <sup>1</sup>	37.5	0.7	0.7	-	38.9
Total assets	570.6	71.5	7.5	-	649.6

<sup>1</sup>Capital expenditures represent cash paid for capital assets during the periods and include capital expenditures that were partially financed by government grants.

## Geographic Information

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

(millions of Canadian dollars, unaudited)	3 months ended September 30,				9 months ended September 30,			
	2024		2023		2024		2023	
Sales by location of customer								
Canada	5%	\$ 8.9	11%	\$ 20.0	6%	\$ 36.4	9%	\$ 60.7
Asia	57%	109.7	54%	102.9	57%	370.0	57%	392.6
United States	30%	58.3	25%	47.4	27%	170.1	24%	162.2
Europe	5%	9.7	6%	11.2	6%	35.7	6%	39.1
Other	3%	6.6	4%	7.3	4%	23.3	4%	27.0
	100%	\$ 193.2	100%	\$ 188.8	100%	\$ 635.5	100%	\$ 681.6

## 9. Related Party Transactions

For the nine months ended September 30, 2024, the Company depended on Canfor to provide approximately 62% (nine months ended September 30, 2023 – 62%) of its fibre supply as well as logs, hog fuel and administrative services. As a result of these relationships, the Company considers its operations to be dependent on its ongoing relationship with Canfor. The transactions with Canfor are consistent with the transactions described in the December 31, 2023 audited annual consolidated financial statements of CPPI and are based on agreed-upon amounts between the parties.

Transactions and payables to Canfor are summarized below:

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
<b>Transactions</b>				
Purchase of wood chips, logs, hog fuel and administrative services	\$ 35.0	\$ 42.5	\$ 116.8	\$ 134.4
			As at September 30, 2024	As at December 31, 2023
(millions of Canadian dollars, unaudited)				
<b>Balance Sheet</b>				
Included in accounts payable and accrued liabilities			\$ 26.1	\$ 40.5

## 10. Asset Write-Down and Impairment Costs

As a result of the ongoing uncertainty surrounding economic fibre availability, heightened by the recent sawmill closure announcements in the British Columbia Interior, the Company performed an impairment assessment as at September 30, 2024, on the Company's property, plant and equipment of its pulp segment, in accordance with IAS 36, *Impairment of Assets*. The recoverable amount of the Company's property, plant and equipment within the pulp operations was determined based on the higher of fair value less costs to sell and value in use. A discounted cash flow model was used to estimate value in use. This discounted cash flow model was projected based on past experience as well as Management's assessment of future trends in the pulp industry, based on external and internal sources of data. Significant assumptions include future production volume, commodity prices, fibre and production costs, as well as the discount rate. Other assumptions include applicable foreign exchange rates, operating rates of the assets, and the future capital required to maintain the assets for their current operating conditions. Estimated future cash flows were discounted at a rate of 9% (12% before tax), based on CPPI's weighted average cost of capital for 2024.

In connection with the recoverable amount assessment, an asset write-down and impairment charge of \$211.0 million was recognized during the three and nine months ended September 30, 2024, as a reduction to the carrying value of the Company's pulp segment assets.