News Release

FOR IMMEDIATE RELEASE **October 22, 2020**

CANFOR REPORTS RESULTS FOR THIRD QUARTER OF 2020

Vancouver, BC - Canfor Corporation ("The Company" or "Canfor") (TSX: CFP) today reported its third quarter 2020 results:

Overview

- Third quarter of 2020 reported operating income of $300 million, adjusted operating income of $347 million
- Record-high adjusted lumber earnings of $387 million, driven by unprecedented surge in lumber prices and strong operational performance across all regions despite the impact of the coronavirus pandemic
- Total net debt of $526 million at September 30, 2020, improvement of $331 million from prior quarter; available liquidity of $1.1 billion; net debt to capitalization of 18.6% at September 30, 2020
- Adjusted shareholder net income of $259 million, or $2.07 per share
- Vida Group ("Vida") completed acquisition of Bergs Timber Production AB ("Bergs") sawmill assets
- Cumulative cash deposits of $548 million on countervailing and anti-dumping duties at September 30, 2020

Financial Results

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

(millions of Canadian dollars, except per share amounts)	**Q3 2020**	Q2 2020	**YTD 2020**	Q3 2019	YTD 2019
Sales	**$ 1,550.4**	$ 1,115.3	**$ 3,836.4**	$ 1,091.4	$ 3,553.1
Reported operating income (loss) before amortization	**$ 393.1**	$ 189.5	**$ 588.2**	$ (27.4)	$ 32.3
Reported operating income (loss)	**$ 299.6**	$ 96.9	**$ 307.7**	$ (120.3)	$ (234.7)
Adjusted operating income before amortization[1]	**$ 440.8**	$ 150.7	**$ 694.8**	$ 27.2	$ 207.2
Adjusted operating income (loss)[1]	**$ 347.3**	$ 58.1	**$ 414.3**	$ (65.7)	$ (59.8)
Net income (loss)[2]	**$ 218.1**	$ 60.7	**$ 208.8**	$ (88.5)	$ (223.9)
Net income (loss) per share, basic and diluted[2]	**$ 1.74**	$ 0.48	**$ 1.67**	$ (0.71)	$ (1.79)
Adjusted net income (loss)[2]	**$ 259.4**	$ 83.4	**$ 316.6**	$ (42.6)	$ (88.5)
Adjusted net income (loss) per share, basic and diluted[2]	**$ 2.07**	$ 0.67	**$ 2.53**	$ (0.34)	$ (0.71)

[1] Adjusted for countervailing and anti-dumping duties expense ($50.7 million in Q3 2020, $19.2 million in Q2 2020, $53.5 million in Q3 2019), inventory write-down recoveries ($3.0 million write-down recovery in Q3 2020, $72.4 million net write-down recovery in Q2 2020, $5.3 million net write-down recovery in Q3 2019), and restructuring costs related to mill closures and curtailments ($14.4 million in Q2 2020, $6.4 million in Q3 2019).
[2] Attributable to equity shareholders of the Company.

For the third quarter of 2020, the Company reported operating income of $299.6 million, up $202.7 million from the second quarter reported operating income of $96.9 million, reflecting a marked increase in lumber segment earnings, marginally offset by lower pulp and paper segment earnings.

After adjusting for countervailing ("CVD") and anti-dumping duties ("ADD") of $50.7 million in the lumber segment and an inventory write-down recovery of $3.0 million for the pulp and paper segment, the Company's operating income was $347.3 million for the third quarter of 2020, up $289.2 million from similarly adjusted operating income of $58.1 million in the second quarter of 2020.

Adjusted lumber segment results of $387.4 million, an all-time record, were up more than five-fold quarter-over-quarter, as a significant surge in demand outpaced available supply in the current quarter, following widespread industry curtailments earlier in the year in response to the coronavirus ("COVID-19") outbreak. As a result, North American benchmark lumber pricing jumped to unprecedented levels in the third quarter of 2020, resulting in record results for the Company's Southern Yellow Pine ("SYP") and European Spruce/Pine/Fir ("SPF") operations and a significant improvement in the results for the Company's Western SPF operations.

The sharp rise in North American lumber demand saw US housing starts peak at 1,487,000 units in July, posting a year-over-year gain of 23%. Over the balance of the quarter, home construction activity remained strong, particularly

for the single-family housing market (which consumes a higher proportion of lumber). For the third quarter of 2020, on a seasonally adjusted basis, US housing starts averaged 1,430,000 units, up 33% from the previous quarter, due to a significant uptick in both single and multi-family housing starts, and to a lesser extent, strength in the repair and remodeling sector driven by increased home centre demand. Canadian housing starts followed similar trends to the US, with August housing starts climbing to their highest levels since September 2007 (averaging 262,000 units) and third quarter of 2020 starts averaging 239,000 units, up 25% from the second quarter of 2020.

Offshore demand from China was somewhat steady in the current quarter as the effects of the pandemic stabilized in Asian-Pacific markets. Activity in Korea and Japan, however, was slower in the current quarter, resulting in correspondingly lower shipment volumes.

Western Europe and Scandinavian lumber demand experienced further growth in the current quarter largely in response to the continued strength in the repair and remodelling sector. With most business in Europe conducted based on pricing negotiated quarterly in advance, pricing gains for the Company's European SPF business in the third quarter of 2020 did not keep pace with those in North America; however, prices are projected to show solid increases in the fourth quarter of 2020.

The North American Random Lengths Western SPF 2x4 #2&Btr price climbed considerably at the end of the prior quarter and continued its run up through the third quarter, reaching an all-time high of US$955 per Mfbm early in September, before dropping in October as prices began to correct. The current quarter average North American Random Lengths Western SPF 2x4 #2&Btr price was US$768 per Mfbm, up US$411 per Mfbm, or 115%, compared to the previous quarter. Conversely, offshore lumber prices experienced modest declines quarter-over-quarter, due in part to the nature of pricing, much of which is negotiated monthly or quarterly in advance. Overall, however, the Company's Western SPF average lumber unit sales realizations still saw substantial increases in the current quarter, with the unprecedented North American pricing levels significantly outweighing modest declines in offshore realizations, a timing lag in shipments (versus orders), and a 3 cent, or 4%, stronger Canadian dollar in the current period.

The North American Random Lengths SYP East 2x4 #2 price rose for a record consecutive twenty-four weeks beginning in the second quarter and into the third quarter of 2020, reaching a high of US$1,025 per Mfbm at the end of September, and a record of US$1,035 per Mfbm early in October, before declining sharply in recent weeks. The Company's SYP lumber unit sales realizations were materially higher than the prior quarter, principally reflecting a US$319 per Mfbm, or 69%, increase in the average SYP East 2x4 #2 price to US$782 per Mfbm, with similarly strong price gains seen for most wider width dimensions, offset to a small extent, by a time lag in shipments (versus orders).

The Company's European SPF unit sales realizations were significantly higher quarter-over-quarter despite a more modest increase of 5% in the average European indicative SPF lumber benchmark price to SEK3,414. This was principally driven by a favourable geographic sales mix, combined with a 5% weaker Canadian dollar (compared to the Swedish Krona ("SEK")).

Total lumber shipments, at 1.37 billion board feet, were 19% higher than the previous quarter, principally due to increased production.

Total lumber production, at 1.42 billion board feet, was 36% above the prior quarter primarily reflecting a return to more regular production rates following COVID-19 market-related curtailments across the Company's Western SPF and SYP operations early in the second quarter, offset in part by four weeks of seasonal production downtime at the Company's European SPF operations in July and August.

Lumber unit manufacturing and product costs improved slightly compared to the previous quarter, primarily reflecting a moderate improvement in unit costs at the Company's Western SPF and SYP operations, largely driven by improved productivity, combined with an ongoing focus on reducing spend. Unit manufacturing and product costs in the Company's European SPF operations experienced a modest increase quarter-over-quarter, principally as a result of the seasonal production downtime in the current quarter.

In the fourth quarter of 2020, it is currently anticipated that the Department of Commerce ("DOC") will finalize its CVD and ADD rates announced earlier in the year for the first period of administrative review ("POR1"). Based on the preliminary determination, the Company's current combined cash deposit rate of 20.52% is expected to be reset to 4.63%. In conjunction with the finalization of these rates, an additional recovery will be recognized in the Company's

consolidated financial statements to reflect the difference between the accrual rate (15.84%) and final rate for POR1, currently estimated at $141.6 million (US$105.7 million).

Results in the pulp and paper segment for the third quarter of 2020 reflected weak global pulp market conditions as well as significant fibre-related and previously deferred scheduled maintenance downtime, stemming from the ongoing impact of COVID-19, combined with a strong Canadian dollar. The significant effect of COVID-19 on lumber sawmill operating rates in the British Columbia ("BC") Interior in the previous quarter materially impacted residual fibre supply to Canfor Pulp Products Inc.'s ("CPPI") Prince George ("PG") based operations heading into the current quarter, resulting in a four-week curtailment at CPPI's Intercontinental Northern Bleached Softwood Kraft ("NBSK") pulp mill and PG NBSK pulp and paper mill in July.

During the scheduled outage at CPPI's Northwood NBSK pulp mill ("Northwood"), the mill's recovery boiler number one ("RB1") was assessed by Management to be in stable condition. Regarding the mill's recovery boiler number five ("RB5"), the previously announced capital upgrades to the upper furnace are ongoing and progressing well. In mid-October, Management made the decision to extend the outage on RB5 to enable the replacement of the lower furnace, in order to ensure the safe and reliable operation of the boiler. The estimated capital cost of the lower furnace upgrade is $30 million, with the work anticipated to take between 70-80 days during the fourth quarter on one production line, which will reduce NBSK pulp production by 60,000 to 70,000 tonnes. This lower furnace replacement, in conjunction with the upper furnace upgrades, is projected to ensure RB5's continued operation for another 15 to 20 years. In light of the assessments made by Management with regards to RB1 and RB5, the previously considered option of a new "super" recovery boiler ("RB6"), at an estimated cost of $400 million, will now not be required.

Notwithstanding the anticipated correction of lumber prices, some of which has been experienced in recent weeks, lumber market fundamentals are forecast to reflect continued solid demand with low levels of supply chain inventory persisting into early 2021. Prices are likely to remain strong in the fourth quarter of 2020, as demand remains elevated and supply slowly recovers following severe shortages in the field.

Lumber prices to Asian-Pacific markets are projected to show an improvement through the fourth quarter of 2020. Inventory levels in China are estimated to decline, supporting a modest price recovery late in the fourth quarter of 2020 and into early 2021. Demand from Japan is anticipated to remain stable with tight inventory levels likely to yield higher pricing for the fourth quarter of 2020.

European prices are anticipated to improve through the fourth quarter of 2020 with lean inventories and the traditional lag in contract pricing, supporting the positive pricing outlook.

Looking forward, global softwood pulp demand is anticipated to show a slight improvement in the fourth quarter of 2020, as markets continue to recover from the economic impact of COVID-19 and elevated inventory levels slowly begin to normalize following the seasonally slower summer months. CPPI's results in the fourth quarter of 2020 will reflect the continuation of Northwood's scheduled maintenance into early October, as well as the aforementioned capital-related outage on one production line at Northwood (with the second production line continuing to operate over this period), combined with higher associated maintenance costs and lower shipment volumes.

Bleached kraft paper markets are anticipated to soften somewhat through the balance of 2020, particularly in North America, following seasonally higher summer demand. Offshore bleached kraft paper markets are anticipated to be relatively stable over the fourth quarter of 2020.

Commenting on the Company's third quarter results, Canfor's President and Chief Executive Officer, Don Kayne, said, "We are extremely impressed with the exceptional efforts and relentless execution of our teams to ensure a safe work environment during these unprecedented times. While we were very pleased with the significant increase in global lumber pricing and the performance of our all our operations in the third quarter, we anticipate a moderation in prices through the fourth quarter. Although we forecast lumber demand to remain strong in 2021, we will continue to focus on strengthening our balance sheet to mitigate future potential volatility in global markets. Our pulp business continues to be challenged with global oversupply of product and tepid demand, but market conditions appear to be slowly improving, with various market price forecasts for 2021 guiding to a modest recovery of prices."

Additional Information and Conference Call

A conference call to discuss the third quarter's financial and operating results will be held on Friday, October 23, 2020 at 8:00 AM Pacific time. To participate in the call, in North America please dial Toll-Free 888-390-0546. For instant replay access until November 6, 2020, please dial 888-390-0541 and enter participant pass code 851086#. The conference call will be webcast live and

will be available at www.canfor.com. This news release, the attached financial statements and a presentation used during the conference call can be accessed via the Company's website at http://www.canfor.com/investor-relations/webcasts.

Non-IFRS Measures and Forward Looking Statements

Operating Income (Loss) before Amortization, Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share are not generally accepted earnings measures and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. Refer to the Company's Annual Management's Discussion and Analysis for a reconciliation of Operating Income (Loss) before Amortization and Adjusted Operating Income (Loss) to Operating Income (Loss) and Adjusted Net Income (Loss) to Net Income (Loss) reported in accordance with IFRS.

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

Canfor is a leading integrated forest products company based in Vancouver, British Columbia ("BC") with interests in BC, Alberta, North and South Carolina, Alabama, Georgia, Mississippi and Arkansas, as well as in Sweden with its majority acquisition of Vida Group. Canfor produces primarily softwood lumber and also owns a 54.8% interest in Canfor Pulp Products Inc., which is one of the largest global producers of market Northern Bleached Softwood Kraft Pulp and a leading producer of high performance kraft paper. Canfor shares are traded on The Toronto Stock Exchange under the symbol CFP. For more information visit canfor.com.

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Canfor Corporation
Third Quarter 2020
Management's Discussion and Analysis

This interim Management's Discussion and Analysis ("MD&A") provides a review of Canfor Corporation's ("Canfor" or "the Company") financial performance for the quarter ended September 30, 2020 relative to the quarters ended June 30, 2020 and September 30, 2019, and the financial position of the Company at September 30, 2020. It should be read in conjunction with Canfor's unaudited interim consolidated financial statements and accompanying notes for the quarters ended September 30, 2020 and 2019, as well as the 2019 annual MD&A and the 2019 audited consolidated financial statements and notes thereto, which are included in Canfor's Annual Report for the year ended December 31, 2019 (available at www.canfor.com). The financial information in this interim MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

Throughout this discussion, reference is made to Operating Income (Loss) before Amortization and Adjusted Operating Income (Loss) which Canfor considers to be a relevant indicator for measuring trends in the performance of each of its operating segments and the Company's ability to generate funds to meet its debt repayment and capital expenditure requirements. Reference is also made to Adjusted Shareholder Net Income (Loss) (calculated as Shareholder Net Income (Loss) less specific items affecting comparability with prior periods – for the full calculation, see the reconciliation included in the section "Analysis of Specific Material Items Affecting Comparability of Net Income (Loss)") and Adjusted Shareholder Net Income (Loss) per Share (calculated as Adjusted Shareholder Net Income (Loss) divided by the weighted average number of shares outstanding during the period). Operating Income (Loss) before Amortization and Adjusted Shareholder Net Income (Loss) and Adjusted Shareholder Net Income (Loss) per Share are not generally accepted earnings measures and should not be considered as an alternative to net income or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, Canfor's Operating Income (Loss) before Amortization, Adjusted Operating Income (Loss), Adjusted Shareholder Net Income (Loss) and Adjusted Shareholder Net Income (Loss) per Share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of Operating Income (Loss) before Amortization to Operating Income (Loss) and Adjusted Shareholder Net Income (Loss) to Net Income (Loss) reported in accordance with IFRS are included in this MD&A. Throughout this discussion, reference is made to the current quarter, which refers to the results for the third quarter of 2020.

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; the coronavirus outbreak and opportunities available to or pursued by Canfor.

Certain comparative amounts for the prior period have been reclassified to conform to the current year's presentation.

All financial references are in millions of Canadian dollars unless otherwise noted. The information in this report is as at October 22, 2020.

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 2020 OVERVIEW

Selected Financial Information and Statistics

(millions of Canadian dollars, except ratios)	Q3 2020	Q2 2020	YTD 2020	Q3 2019	YTD 2019
Operating income (loss) by segment:					
Lumber	**$ 336.7**	$ 107.4	**$ 355.0**	$ (66.5)	$ (199.9)
Pulp and Paper	**$ (27.6)**	$ (6.3)	**$ (27.8)**	$ (44.0)	$ (7.5)
Unallocated and Other	**$ (9.5)**	$ (4.2)	**$ (19.5)**	$ (9.8)	$ (27.3)
Total operating income (loss)	**$ 299.6**	$ 96.9	**$ 307.7**	$ (120.3)	$ (234.7)
Add: Amortization[1]	**$ 93.5**	$ 92.6	**$ 280.5**	$ 92.9	$ 267.0
Total operating income (loss) before amortization	**$ 393.1**	$ 189.5	**$ 588.2**	$ (27.4)	$ 32.3
Add (deduct):					
Working capital movements	**$ 77.3**	$ 54.0	**$ 54.8**	$ 63.1	$ 41.1
Restructuring, mill closure, and severance costs paid	**$ (7.0)**	$ (2.0)	**$ (11.0)**	$ (8.5)	$ (8.5)
Defined benefit plan contributions, net	**$ (2.0)**	$ (3.8)	**$ (11.1)**	$ (5.7)	$ (16.4)
Income taxes received (paid), net	**$ (2.3)**	$ 42.5	**$ 69.0**	$ (6.1)	$ (7.5)
Adjustment to accrued duties[2]	**$ (13.5)**	$ (9.6)	**$ (11.8)**	$ 19.9	$ 30.9
Other operating cash flows, net[3]	**$ (22.9)**	$ 27.0	**$ 35.4**	$ (17.3)	$ 1.9
Cash from operating activities	**$ 422.7**	$ 297.6	**$ 713.5**	$ 18.0	$ 73.8
Add (deduct):					
Capital additions, net	**$ (23.1)**	$ (31.4)	**$ (107.6)**	$ (76.4)	$ (233.1)
Finance expenses paid	**$ (8.8)**	$ (13.7)	**$ (35.8)**	$ (12.7)	$ (34.3)
Proceeds (repayment) of term debt, net	**$ (0.1)**	$ (0.4)	**$ 0.1**	$ 49.8	$ 281.1
Distributions paid to non-controlling interests	**$ (7.0)**	$ -	**$ (8.7)**	$ (2.1)	$ (17.6)
Consideration paid for Bergs sawmill assets	**$ (58.7)**	$ -	**$ (58.7)**	$ -	$ -
Proceeds received from sale of Vavenby forest tenure	**$ -**	$ -	**$ 56.5**	$ -	$ -
Phased acquisition of Elliott[4]	**$ -**	$ (44.6)	**$ (44.6)**	$ 0.8	$ (59.7)
Acquisition of Vida, net of cash acquired, including holdback	**$ -**	$ -	**$ -**	$ -	$ (572.0)
Other, net[3]	**$ (7.8)**	$ (4.2)	**$ (13.6)**	$ (4.3)	$ (36.3)
Change in cash / operating loans	**$ 317.2**	$ 203.3	**$ 501.1**	$ (26.9)	$ (598.1)
ROIC – Consolidated period-to-date[5]	**9.6%**	3.1%	**9.7%**	(3.0)%	(7.4)%
Average exchange rate (US$ per C$1.00)[6]	**$ 0.751**	$ 0.722	**$ 0.739**	$ 0.757	$ 0.752
Average exchange rate (SEK per C$1.00)[6]	**6.650**	6.983	**6.937**	7.262	7.072

[1] Amortization includes amortization of certain capitalized major maintenance costs.
[2] Adjusted to true-up anti-dumping duties expensed for accounting purposes to current accrual rates.
[3] Further information on cash flows may be found in the Company's unaudited interim consolidated financial statements.
[4] Phased acquisition of Elliott is net of cash acquired and includes the term loan and line of credit.
[5] Consolidated Return on Invested Capital ("ROIC") is equal to operating income (loss) plus realized gains (losses) on derivative financial instruments (i.e. excluding mark-to-market adjustments), plus other income (expense) and excluding non-controlling interest, divided by the average invested capital during the period. Invested capital represents total assets excluding cash and total liabilities excluding term debt, retirement benefit obligations, long-term deferred reforestation obligations, and deferred taxes.
[6] Source – Bank of Canada (monthly average rate for the period).

Analysis of Specific Material Items Affecting Comparability of Shareholder Net Income (Loss)

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except per share amounts)	Q3 2020	Q2 2020	YTD 2020	Q3 2019	YTD 2019
Shareholder net income (loss), as reported	**$ 218.1**	$ 60.7	**$ 208.8**	$ (88.5)	$ (223.9)
Foreign exchange (gain) loss on term debt and duty deposits recoverable	**$ (1.0)**	$ (4.7)	**$ 7.4**	$ 2.0	$ (0.1)
Countervailing and anti-dumping duties expense, net	**$ 37.0**	$ 14.0	**$ 83.4**	$ 39.1	$ 98.6
Loss on derivative financial instruments	**$ 5.3**	$ 2.9	**$ 5.8**	$ 0.1	$ 23.8
Restructuring, mill closure and severance costs, net	**$ -**	$ 10.5	**$ 11.2**	$ 4.7	$ 13.1
Net impact of above items	**$ 41.3**	$ 22.7	**$ 107.8**	$ 45.9	$ 135.4
Adjusted shareholder net income (loss)	**$ 259.4**	$ 83.4	**$ 316.6**	$ (42.6)	$ (88.5)
Shareholder net income (loss) per share (EPS), as reported	**$ 1.74**	$ 0.48	**$ 1.67**	$ (0.71)	$ (1.79)
Net impact of above items per share	**$ 0.33**	$ 0.19	**$ 0.86**	$ 0.37	$ 1.08
Adjusted shareholder net income (loss) per share	**$ 2.07**	$ 0.67	**$ 2.53**	$ (0.34)	$ (0.71)

For the third quarter of 2020, the Company reported operating income of $299.6 million, up $202.7 million from the second quarter reported operating income of $96.9 million, reflecting a marked increase in lumber segment earnings, marginally offset by lower pulp and paper segment earnings.

Adjusted lumber segment results of $387.4 million, an all-time record, were up more than five-fold quarter-over-quarter, as a significant surge in demand outpaced available supply in the current quarter, following widespread industry curtailments earlier in the year in response to the coronavirus ("COVID-19") outbreak. As a result, North American benchmark lumber pricing jumped to unprecedented levels in the third quarter of 2020, resulting in record results for the Company's Southern Yellow Pine ("SYP") and European Spruce/Pine/Fir ("SPF") operations and a significant improvement in the results for the Company's Western SPF operations.

Pulp and paper segment results reflected weak global pulp market conditions as well as significant fibre-related and previously deferred scheduled maintenance downtime, stemming from the ongoing impact of COVID-19, combined with a 3 cent, or 4%, stronger Canadian dollar. The significant effect of COVID-19 on lumber sawmill operating rates in the British Columbia ("BC") Interior in the previous quarter materially impacted residual fibre supply to Canfor Pulp Products Inc. ("CPPI") Prince George ("PG") based operations heading into the current quarter, resulting in a four-week curtailment at CPPI's Intercontinental Northern Bleached Softwood Kraft ("NBSK") pulp mill and PG NBSK pulp and paper mill in July.

Compared to the third quarter of 2019, reported operating income was up $419.9 million from the operating loss of $120.3 million in the comparative period, consisting of a $403.2 million increase in lumber segment earnings and a $16.4 million improvement in the pulp and paper segment. Lumber segment earnings largely reflected the record-high Western SPF and SYP US-dollar pricing, and increased production and shipments in the current quarter.

Pulp and paper results in the current quarter were $16.4 million favourable compared to the third quarter of 2019, with higher pulp production volumes combined with lower pulp and paper unit costs and a 1 cent, or 1%, weaker Canadian dollar, more than offsetting lower average NBSK pulp unit sales realizations.

OPERATING RESULTS BY BUSINESS SEGMENT

Lumber

Selected Financial Information and Statistics – Lumber

(millions of Canadian dollars, unless otherwise noted)	Q3 2020	Q2 2020	YTD 2020	Q3 2019	YTD 2019
Sales[7]	**$ 1,324.1**	$ 864.6	**$ 3,083.9**	$ 874.6	$ 2,712.8
Operating income (loss) before amortization[7]	**$ 411.0**	$ 180.1	**$ 574.5**	$ 2.5	$ (2.8)
Operating income (loss) [7]	**$ 336.7**	$ 107.4	**$ 355.0**	$ (66.5)	$ (199.9)
Countervailing and anti-dumping duties, net[8]	**$ 50.7**	$ 19.2	**$ 114.3**	$ 53.5	$ 135.0
Inventory write-down (recovery)	**$ -**	$ (80.6)	**$ (17.6)**	$ (5.3)	$ 8.3
Restructuring, mill closure and severance costs, net[9]	**$ -**	$ 14.4	**$ 15.4**	$ 6.4	$ 17.9
Adjusted operating income (loss)	**$ 387.4**	$ 60.4	**$ 467.1**	$ (11.9)	$ (38.7)
Average Western SPF 2x4 #2&Btr lumber price in US$[10]	**$ 768**	$ 357	**$ 508**	$ 356	$ 354
Average Western SPF 2x4 #2&Btr lumber price in Cdn$[10]	**$ 1,022**	$ 494	**$ 684**	$ 470	$ 471
Average SYP 2x4 #2 lumber price in US$[11]	**$ 782**	$ 463	**$ 544**	$ 410	$ 407
Average SYP 2x4 #2 lumber price in Cdn$[11]	**$ 1,041**	$ 641	**$ 402**	$ 542	$ 541
Average European indicative SPF lumber price in SEK[12]	**3,414**	3,254	**3,340**	3,652	3,949
Average European indicative SPF lumber price in US$[12]	**$ 377**	$ 336	**$ 353**	$ 381	$ 402
Average European indicative SPF lumber price in Cdn$[12]	**$ 513**	$ 466	**$ 482**	$ 503	$ 558
US housing starts (thousand units SAAR)[13]	**1,430**	1,079	**1,331**	1,288	1,249
Production – Western SPF lumber (MMfbm)[14]	**726**	441	**1,795**	595	2,154
Production – SYP lumber (MMfbm)[14]	**431**	321	**1,116**	365	1,084
Production – European SPF lumber (MMfbm)[14]	**261**	278	**832**	220	578
Shipments – Western SPF lumber (MMfbm)[15]	**667**	531	**1,772**	644	2,234
Shipments – SYP lumber (MMfbm)[15]	**429**	350	**1,142**	365	1,067
Shipments – European SPF lumber (MMfbm)[15]	**275**	273	**862**	223	596

[7] Q3 2020 includes sales of $233.0 million, operating income of $26.6 million, and operating income before amortization of $44.7 million from European SPF lumber operations (Q2 2020 – sales of $227.2 million, operating income of $12.4 million, and operating income before amortization of $29.3 million; Q3 2019 – sales of $201.2 million, operating loss of $2.3 million, and operating income before amortization of $13.4 million). Operating income from the European SPF operations in Q3 2020 includes $10.8 million (Q2 2020 - $10.4 million; Q3 2019 - $12.8 million) in incremental amortization and other expenses driven by the purchase price allocation at the acquisition date.

[8] Adjusted for countervailing and anti-dumping duties expensed for accounting purposes.

[9] Adjusted for restructuring, mill closure and severance costs, net, primarily related to permanent curtailments (Vavenby in Q2 2019 and Isle Pierre in Q2 2020), as well as the net loss recognized on sale of Vavenby tenure in Q1 2020 and gain on sale of other non-operating assets in the Prince George region in Q2 2020.

[10] Western Spruce/Pine/Fir, per thousand board feet (Source – Random Lengths Publications, Inc.); Average Western SPF 2x4 #2&Btr lumber price in Cdn$ calculated as average Western SPF 2x4 #2&Btr lumber price in US$ multiplied by the average exchange rate – Cdn$ per US$1.00 according to Bank of Canada monthly average for the period.

[11] Southern Yellow Pine, Eastside, per thousand board feet (Source – Random Lengths Publications, Inc.).

[12] European indicative lumber price is an internally generated benchmark based on delivered price to the largest continental market; Average European indicative SPF lumber price in US$ and Cdn$ calculated as average European indicative lumber price in SEK multiplied by the average exchange rate – US$ and Cdn$ per SEK1.00, respectively, according to Bank of Canada monthly average rate for the period.

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

[14] Excluding production of trim blocks.

[15] Canfor, Vida or Elliott produced lumber, including lumber purchased for remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.

Markets

The sharp rise in North American lumber demand saw US housing starts peak at 1,487,000 units in July, posting a year-over-year gain of 23%. Over the balance of the quarter, home construction activity remained strong, particularly for the single-family housing market (which consumes a higher proportion of lumber). For the third quarter of 2020, on a seasonally adjusted basis, US housing starts averaged 1,430,000 units, up 33% from the previous quarter, due to a significant uptick in both single and multi-family housing starts, and to a lesser extent, strength in the repair and remodeling sector driven by increased home centre demand. Canadian housing starts followed similar trends to the

US, with August housing starts climbing to their highest levels since September 2007 (averaging 262,000 units) and third quarter of 2020 starts averaging 239,000 units, up 25% from the second quarter of 2020.

Offshore demand from China was somewhat steady in the current quarter as the effects of the pandemic stabilized in Asian-Pacific markets. Activity in Korea and Japan, however, was slower in the current quarter, resulting in correspondingly lower shipment volumes.

Western Europe and Scandinavian lumber demand experienced further growth in the current quarter largely in response to the continued strength in the repair and remodelling sector. With most business in Europe conducted based on pricing negotiated quarterly in advance, pricing gains for the Company's European SPF business in the third quarter of 2020 did not keep pace with those in North America; however, prices are projected to show solid increases in the fourth quarter of 2020.

Sales

Sales revenues for the lumber segment for the third quarter of 2020 were $1,324.1 million, compared to $864.6 million in the previous quarter and $874.6 million for the third quarter of 2019. The 53% increase in sales revenue over the prior quarter primarily reflected substantial increases in Western SPF and SYP sales revenues, driven by record US-dollar pricing and significantly higher Western SPF and SYP shipments, partially offset by the stronger Canadian dollar in the current quarter. Sales revenue for the Company's European SPF operations were up slightly from the previous quarter reflecting the higher European indicative benchmark pricing, offset in part by declines in residual and other related revenues in that region.

Compared to the third quarter of 2019, sales revenues were up 51% primarily reflecting unprecedented North American US-dollar pricing and significantly higher shipment volumes across all three operating regions.

Total lumber shipments, at 1.37 billion board feet, were 19% higher than the previous quarter and up 11% from the third quarter of 2019, principally due to increased production compared to both comparative periods.

The North American Random Lengths Western SPF 2x4 #2&Btr price climbed considerably at the end of the prior quarter and continued its run-up through the third quarter, reaching an all-time high of US$955 per Mfbm early in September, before dropping in October as prices began to correct. The current quarter average North American Random Lengths Western SPF 2x4 #2&Btr price was US$768 per Mfbm, up US$411 per Mfbm, or 115%, compared to the previous quarter. Conversely, offshore lumber prices experienced modest declines quarter-over-quarter, due in part to the nature of pricing, much of which is negotiated monthly or quarterly in advance. Overall, however, the Company's Western SPF average lumber unit sales realizations still saw substantial increases in the current quarter, with the unprecedented North American pricing levels significantly outweighing modest declines in offshore realizations, a timing lag in shipments (versus orders), and the stronger Canadian dollar in the current period.

The North American Random Lengths SYP East 2x4 #2 price rose for a record consecutive twenty-four weeks beginning in the second quarter and into the third quarter of 2020, reaching a high of US$1,025 per Mfbm at the end of September, and a record of US$1,035 per Mfbm early in October, before declining sharply in recent weeks. The Company's SYP lumber unit sales realizations were materially higher than the prior quarter, principally reflecting a US$319 per Mfbm, or 69%, increase in the average SYP East 2x4 #2 price to US$782 per Mfbm, with similarly strong price gains seen for most wider width dimensions, offset to a small extent, by a time lag in shipments (versus orders).

The Company's European SPF unit sales realizations were significantly higher quarter-over-quarter despite a more modest increase of 5% in the average European indicative SPF lumber benchmark price to SEK3,414. This was principally driven by a favourable geographic sales mix, combined with a 5% weaker Canadian dollar (compared to the Swedish Krona ("SEK")).

Compared to the third quarter of 2019, the Company's Western SPF and SYP unit sales realizations were substantially higher, primarily reflecting the record-high North American benchmark lumber prices in the current quarter. The North American Random Lengths Western SPF 2x4 #2&Btr price increased US$412 per Mfbm, or 116%, from the comparative period, while the SYP East 2x4 #2 increased US$372 per Mfbm, or 91%, with similar gains seen for most wider width dimension products. The Company's European SPF unit sales realizations experienced a moderate increase compared to the third quarter of 2019, as a SEK238 per Mfbm, or 7%, decline in the average European indicative SPF lumber benchmark price, was more than offset by an increased proportion of shipments to the record-high North American market, and to a lesser extent, an 8% weaker Canadian dollar against the SEK.

Other revenues for the Company's lumber segment (which are primarily comprised of residual fibre, pulp log and pellets sales, as well as the Company's European operations' other related revenues) were broadly in line with both comparative periods. Current quarter results reflected seasonally higher pulp log sales compared to the previous quarter, offset by a decline in residual revenues in Western Canada and Europe (tied to market-based pulp pricing), as well as ongoing COVID-19 driven declines in other European revenues. Compared to the third quarter of 2019, the benefit of increased lumber production on residual fibre and pulp log revenues was offset by the aforementioned declines in other European revenues.

Operations

Total lumber production, at 1.42 billion board feet, was 36% above the prior quarter primarily reflecting a return to more regular production rates following COVID-19 market-related curtailments across the Company's Western SPF and SYP operations early in the second quarter, offset in part by four weeks of seasonal production downtime at the Company's European SPF operations in July and August.

Compared to the third quarter of 2019, lumber production was up 20%, largely due to widespread permanent and indefinite capacity reductions across the Company's lumber business in the BC Interior in the comparative period. Incremental capacity from the addition of Elliott, and to a lesser extent, the acquisition of Bergs Timber Production AB ("Bergs") sawmill assets in the current quarter, also contributed to increased production.

Lumber unit manufacturing and product costs improved slightly compared to the previous quarter, primarily reflecting a moderate improvement in unit costs at the Company's Western SPF and SYP operations, largely driven by improved productivity, combined with an ongoing focus on reducing spend. Unit manufacturing and product costs in the Company's European SPF operations experienced a modest increase quarter-over-quarter, principally as a result of the seasonal production downtime in the current quarter.

Compared to the third quarter of 2019, lumber unit manufacturing and product costs were modestly lower primarily reflecting the benefit of the increased production and lower BC fibre costs following high levels of competition for purchased wood in the comparative period.

Pulp and Paper

Selected Financial Information and Statistics – Pulp and Paper[16]

(millions of Canadian dollars, unless otherwise noted)	**Q3 2020**	Q2 2020	**YTD 2020**	Q3 2019	YTD 2019
Sales	**$ 226.3**	$ 250.7	**$ 752.5**	$ 216.8	$ 840.3
Operating income (loss) before amortization[17]	**$ (8.7)**	$ 13.3	**$ 32.3**	$ (20.3)	$ 61.8
Operating loss	**$ (27.6)**	$ (6.3)	**$ (27.8)**	$ (44.0)	$ (7.5)
Average NBSK pulp price delivered to China – US$[18, 19]	**$ 572**	$ 572	**$ 572**	$ 555	$ 628
Average NBSK pulp price delivered to China – Cdn$[18, 19]	**$ 761**	$ 793	**$ 774**	$ 733	$ 836
Production – pulp (000 mt)	**227**	260	**785**	174	748
Production – paper (000 mt)	**24**	33	**87**	28	99
Shipments – pulp (000 mt)	**249**	248	**787**	213	760
Shipments – paper (000 mt)	**27**	36	**97**	27	93

[16] Includes 100% of Canfor Pulp Products Inc., which is consolidated in Canfor's operating results. Pulp production and shipment volumes presented are for both NBSK pulp and BCTMP.
[17] Amortization includes amortization of certain capitalized major maintenance costs.
[18] Per tonne, NBSK pulp list net price delivered to China (as published by Resource Information Systems, Inc. ("RISI")); Average NBSK pulp net price delivered to China in Cdn$ calculated as average NBSK pulp 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.
[19] Effective January 1, 2020, all RISI China market pricing has changed from "Delivered to China – Effective list price" to "Delivered to China – Net price" as distributed through Fastmarkets RISI.

Markets

Global pulp market conditions were weak during the current quarter, with the ongoing sharp decline in demand for printing and writing papers offsetting improved demand for tissue products. The average US-dollar NBSK pulp list price to China for the third quarter of 2020 was US$572 per tonne, broadly in line with the second quarter of 2020, and up US$17 per tonne, or 3%, compared to the third quarter of 2019. Prices to other global regions, including North America and Europe, experienced modest pressure compared to the prior quarter, with the average US-dollar NBSK pulp list price to North America at US$1,133 per tonne (before discounts, which were largely unchanged

quarter-over-quarter), down US$25 per tonne, or 2%, from the previous quarter, and down US$37 per tonne, or 3%, from the third quarter of 2019.

Global softwood pulp producer inventories at the end of August 2020 remained significantly above the balanced range at 43[20] days of supply, an increase of one day supply compared to June 2020 (market conditions are generally considered balanced when inventories are in the 27-34 days of supply range).

Global kraft paper market demand was steady through most of the third quarter of 2020, especially North America.

Sales

Pulp shipments for the third quarter of 2020 were 249,000 tonnes, broadly in line with the previous quarter and up 36,000 tonnes, or 17%, from the third quarter of 2019. Pulp shipments in the current quarter largely reflected the 13% decrease in pulp production offset by a drawdown of inventory in the current period. Vessel slippages at the end of the current quarter into October, were comparable with slippages at the prior quarter into July. Compared to the third quarter of 2019, the increase in pulp shipments was largely driven by a 30% increase in pulp production, offset in part by vessel slippages (17,000 tonnes) at the end of September into early October 2020.

NBSK pulp unit sales realizations experienced a moderate decrease compared to the prior quarter, as a result of the weak markets, the stronger Canadian dollar and the timing of shipments (versus orders) in the previous quarter. Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") demand fell sharply during the third quarter with average BCTMP unit sales realizations well down compared to the prior quarter, reflecting a significant decline in average US-dollar prices combined with the stronger Canadian dollar.

Compared to the third quarter of 2019, average NBSK pulp unit sales realizations showed a slight decrease, as a 3% increase in US-dollar NBSK pulp list prices to China was more than offset by a 3% decrease in US-dollar prices to North America and a change in CPPI's geographical sales mix. Average BCTMP unit sales realizations were broadly in line with the comparative period.

Energy revenues were broadly in line with the prior quarter, as decreased energy generation due to the aforementioned curtailments, was offset by slightly higher energy prices. Compared to the third quarter of 2019, marginally lower energy revenues primarily reflected a decline in power sales quarter-over-quarter.

Paper shipments in the third quarter of 2020 were 27,000 tonnes, down 9,000 tonnes from the prior quarter and broadly in line with the third quarter of 2019. The former, largely due to decreased paper production in the current quarter.

Paper unit sales realizations in the third quarter of 2020 were slightly higher than the previous quarter, principally reflecting solid US-dollar pricing in North America, offset in part by the stronger Canadian dollar. Compared to the third quarter of 2019, paper unit sales realizations were significantly lower primarily due to a notable decline in global US-dollar prices quarter-over-quarter, offset in part by the weaker Canadian dollar.

Operations

Pulp production was 227,000 tonnes for the third quarter of 2020, down 33,000 tonnes, or 13%, from the previous quarter, primarily reflecting the quarter-over-quarter impact of downtime. In the current quarter, decreased operating days primarily reflected the four-week COVID-19 related curtailment at CPPI's PG and Intercontinental pulp mills, which reduced pulp production by 38,000 tonnes. This was combined with a scheduled maintenance outage at CPPI's Taylor BCTMP mill, which reduced pulp production by 10,000 tonnes, and, to a lesser extent, several operational issues at CPPI's PG pulp mill. In September, CPPI's Northwood NBSK pulp mill ("Northwood") commenced its scheduled maintenance outage, which was completed on one production line in early October; this outage reduced pulp production by 20,000 tonnes in the current quarter and by a further 15,000 tonnes in October 2020. In the second quarter of 2020, CPPI's pulp production was impacted by a three-week COVID-19 related curtailment at Northwood, which reduced pulp production by 35,000 tonnes.

[20] 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").

During Northwood's scheduled outage, the mill's recovery boiler number one ("RB1") was assessed by Management to be in stable condition. Regarding the mill's recovery boiler number five ("RB5"), the previously announced capital upgrades to the upper furnace are ongoing and progressing well. In mid-October, Management made the decision to extend the outage on RB5 to enable the replacement of the lower furnace, in order to ensure the safe and reliable operation of the boiler.

The estimated capital cost of the lower furnace upgrade is $30 million, with the work anticipated to take between 70-80 days during the fourth quarter on one production line, which will reduce NBSK pulp production by 60,000 to 70,000 tonnes. This lower furnace replacement, in conjunction with the upper furnace upgrades, is projected to ensure RB5's continued operation for another 15 to 20 years. In light of the assessments made by Management with regards to RB1 and RB5, the previously considered option of a new "super" recovery boiler ("RB6"), at an estimated cost of $400 million, will now not be required.

Compared to the third quarter of 2019, pulp production was up 53,000 tonnes, or 30%, primarily driven by reduced downtime in the current quarter. In the comparative period, production curtailments at all of CPPI's pulp mills reduced pulp production by 135,000 tonnes.

Pulp unit manufacturing costs were moderately higher than the prior quarter primarily reflecting reduced production in the current quarter. Fibre costs showed a slight decline over the same period, largely driven by lower market-based prices for sawmill residual chips (linked to Canadian dollar NBSK pulp sales realizations) in the current quarter.

Compared to the third quarter of 2019, pulp unit manufacturing costs were reasonably lower, primarily due to increased production combined with lower maintenance spend in the current quarter. Fibre costs were broadly in line with the comparative period.

Paper production for the third quarter of 2020 was 24,000 tonnes, down 9,000 tonnes from the previous quarter, principally reflecting PG pulp and paper mill's aforementioned COVID-19 related curtailment in the current quarter. Compared to the third quarter of 2019, paper production declined 4,000 tonnes primarily due to the quarter-over-quarter impact of downtime in both periods.

Paper unit manufacturing costs were slightly lower than the second quarter of 2020, largely due to moderately lower slush pulp costs (tied to decreased Canadian dollar NBSK pulp unit sales realizations), offset in part by the impact of decreased production in the current quarter. Compared to the third quarter of 2019, paper unit manufacturing costs were modestly lower, primarily reflecting lower slush pulp costs combined with reduced spend on operating supplies and maintenance in the current period.

Unallocated and Other Items

Selected Financial Information

(millions of Canadian dollars)	Q3 2020	Q2 2020	YTD 2020	Q3 2019	YTD 2019
Operating income (loss) of Panels operations[21]	**$ (0.3)**	$ 1.0	**$ 0.1**	$ (0.3)	$ (1.2)
Corporate costs	**$ (9.2)**	$ (5.2)	**$ (19.6)**	$ (9.5)	$ (26.1)
Finance expense, net	**$ (11.2)**	$ (13.4)	**$ (40.3)**	$ (16.1)	$ (41.2)
Foreign exchange gain (loss) on term debt and duties recoverable, net	**$ 1.1**	$ 5.3	**$ (8.3)**	$ (2.2)	$ (0.2)
Loss on derivative financial instruments	**$ (7.9)**	$ (4.5)	**$ (8.4)**	$ (0.1)	$ (25.9)
Other income, net	**$ 5.9**	$ 4.2	**$ 17.4**	$ 1.2	$ 2.0

[21] The Panels operations include the Company's PolarBoard oriented strand board ("OSB") plant, which is currently indefinitely idled and its Tackama plywood plant, which has been permanently closed.

Corporate costs were $9.2 million for the third quarter of 2020, up $4.0 million from the second quarter of 2020 reflecting increased corporate office and general administrative expenses, largely related to higher incentive expenses associated with the marked improvement in earnings, and to a lesser extent, higher legal costs associated with the softwood lumber dispute. Corporate costs were broadly in line with the third quarter of 2019.

Net finance expense of $11.2 million for the third quarter of 2020 was down $2.2 million from the previous quarter, largely due to lower interest expense following current quarter repayments of amounts drawn on the Company's operating loan facilities. Compared to the third quarter of 2019, net finance expense was down $4.9 million primarily

reflecting a decrease in interest expense attributable to higher debt levels in the comparative period related principally to the Vida Group ("Vida") acquisition in 2019.

In the third quarter of 2020, the Company recognized a foreign exchange gain on its US-dollar term debt held by Canadian entities, offset, to a degree, by a loss on US-dollar denominated net duty deposits recoverable due to the strengthening of the Canadian dollar during the quarter (see further discussion on the term debt financing in the "Liquidity and Financial Requirements" section).

At times, the Company uses a variety of derivative financial instruments as partial economic hedges against unfavourable changes in lumber prices, energy costs, interest and foreign exchange rates. Losses related to the Company's derivative instruments of $7.9 million in the third quarter of 2020 and $4.5 million in the second quarter 2020 primarily reflected losses on lumber futures contracts, and to a lesser extent, losses on SEK forward foreign exchange contracts.

Other income, net, of $5.9 million in the third quarter of 2020 primarily reflected the receipt of interim insurance proceeds pertaining to CPPI's unscheduled downtime in 2018 at Northwood to enable necessary tube replacements to its number five recovery boiler ("RB5"), offset, to a degree, by unfavourable foreign exchange movements on US-dollar denominated working capital balances.

Other Comprehensive Income (Loss)

The following table summarizes Canfor's Other Comprehensive Income (Loss) for the comparable periods:

(millions of Canadian dollars)	**Q3 2020**	**Q2 2020**	**YTD 2020**	**Q3 2019**	**YTD 2019**
Defined benefit actuarial gain (loss), net of tax	**$ (13.0)**	$ (15.4)	**$ (19.6)**	$ 4.2	$ 7.9
Foreign exchange translation differences for foreign operations, net of tax	**$ (12.1)**	$ 15.4	**$ 56.1**	$ (18.5)	$ (47.2)
Other comprehensive income (loss), net of tax	**$ (25.1)**	$ -	**$ 36.5**	$ (14.3)	$ (39.3)

In the third quarter of 2020, the Company recorded a loss of $17.9 million (before tax) related to changes in the valuation of the Company's employee future benefit plans, largely reflecting a 0.3% decrease in the discount rate used to value the employee future benefit plans, offset in part by a higher than anticipated return on plan assets. This compared to a loss of $21.0 million (before tax) in the second quarter of 2020, which largely reflected a 0.7% decrease in the discount rate, partially offset by a higher than anticipated return on plan assets.

In the third quarter of 2019, the Company recorded a gain of $5.8 million (before tax), primarily reflecting a higher than anticipated return on plan assets, and to a lesser extent, lower service and interest costs associated with the 50% reduction in Medical Services Plan ("MSP") premiums realized in the second quarter of 2019, following a change in legislation in BC.

In addition, the Company recorded an accounting loss of $12.1 million in the third quarter of 2020 related to foreign exchange adjustments for foreign operations, with the strengthening of the Canadian dollar relative to the US-dollar outweighing the modest weakening of the Canadian dollar relative to the SEK. This compared to a gain of $15.4 million in the second quarter of 2020 and a loss of $18.5 million in the third quarter of 2019.

SUMMARY OF FINANCIAL POSITION

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

(millions of Canadian dollars, except ratios)	Q3 2020	Q2 2020	YTD 2020	Q3 2019	YTD 2019
Increase (decrease) in cash and cash equivalents[22]	**$ 32.5**	$ 45.0	**$ 131.1**	$ 55.5	$ (157.2)
Operating activities	**$ 422.7**	$ 297.6	**$ 713.5**	$ 18.0	$ 73.8
Financing activities	**$ (308.8)**	$ (178.0)	**$ (431.0)**	$ 112.7	$ 641.2
Investing activities	**$ (81.4)**	$ (74.6)	**$ (151.4)**	$ (75.2)	$ (872.2)
Ratio of current assets to current liabilities			**2.1:1**		1.4:1
Net debt to capitalization[23]			**18.6%**		33.2%

[22] Increase (decrease) in cash and cash equivalents shown before foreign exchange translation on cash and cash equivalents.
[23] Net debt to capitalization is equal to net debt divided by net capitalization. Net debt is equal to interest-bearing debt less cash and cash equivalents on hand. Net capitalization is equal to net debt plus total equity.

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

Operating Activities

Operating activities generated $422.7 million of cash in the third quarter of 2020, compared to cash generated of $297.6 million in the previous quarter and $18.0 million in the third quarter of 2019. The increase in operating cash flows from the previous quarter was largely due to materially higher cash earnings and, to a lesser extent, favourable working capital movements, partially offset by higher tax instalment payments in the current quarter. Favourable working capital movements primarily reflected a timing-related increase in accounts payable and accrued liabilities, offset in part by higher trade accounts receivables quarter-over-quarter, due to the uplift in pricing and improved shipments.

Compared to the third quarter of 2019, the increase in operating cash flows principally reflected considerably higher cash earnings in the current quarter.

Financing Activities

Cash used for financing activities in the third quarter of 2020 was $308.8 million compared to $178.0 million in the second quarter of 2020 and cash generated of $112.7 million in the third quarter of 2019. Financing activities in the current and prior quarter largely consisted of repayments of amounts drawn on the Company's operating loan facilities, following improved cash earnings. In the third quarter of 2019, financing activities primarily reflected a drawdown of the Company's operating loan facility to finance working capital requirements, combined with a $50.0 million term loan received by CPPI at the end of the comparative period.

Investing Activities

Cash used for investing activities in the third quarter of 2020 was $81.4 million, compared to $74.6 million for the second quarter of 2020 and $75.2 million for the third quarter of 2019. Investing activities in the current quarter primarily included Vida's purchase of Bergs sawmill assets for total consideration of $58.7 million (390 million SEK), including working capital and other adjustments. In the second quarter of 2020, investing activities largely consisted of the second phase (51%) purchase of Elliott for $50.4 million (US$37.0 million). Cash used in the third quarter of 2019 principally reflected capital additions.

Capital additions in the third quarter of 2020 were $23.1 million, down $8.3 million from the previous quarter and down $53.3 million from the third quarter of 2019. Current quarter capital expenditures largely consisted of maintenance-of-business expenditures, as COVID-19 cost containment measures continued to be in effect.

Liquidity and Financial Requirements

Operating Loans – Consolidated

At September 30, 2020, on a consolidated basis, including CPPI and Vida, the Company had cash of $192.5 million, with $14.2 million drawn on its operating loan facilities, and an additional $77.8 million reserved for several standby letters of credit. Total available undrawn operating loans at the end of the quarter were $934.2 million, including the undrawn committed revolving credit facility and undrawn facilities for letters of credit.

Operating Loans – Canfor, excluding Vida and CPPI

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

As at September 30, 2020, Canfor, excluding CPPI and Vida, had available operating loan facilities totaling $820.0 million, with no amounts drawn on its principal committed operating loan facility and $64.9 million reserved for several standby letters of credit, the majority of which related to unregistered pension plans.

Operating Loans – Vida

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 1.0% to 1.3%. Vida also has separate overdraft facilities with fixed interest rates ranging from 1.7% to 4.7%. Vida's operating loan facilities have certain financial covenants including minimum equity and interest coverage ratios.

At September 30, 2020, Vida had $14.2 million drawn on its $96.2 million operating loan facilities, leaving $82.0 million available and undrawn at the end of the quarter.

Operating Loans – CPPI

The terms of CPPI'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 lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar LIBOR rate, plus a margin.

At September 30, 2020, CPPI had a $110.0 million operating loan facility, with $12.9 million reserved for several standby letters of credit under the operating loan facility, leaving $97.1 million available and undrawn on its operating loan facility at the end of the current quarter.

Term Debt

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

The Company's consolidated net debt to total capitalization at the end the third quarter of 2020 was 18.6%. For Canfor, excluding CPPI, net debt to capitalization at the end of the third quarter of 2020 was 19.7%.

Net Debt and Liquidity - Consolidated

At September 30, 2020, on a consolidated basis, including CPPI and Vida, the Company had total net debt of $525.5 million, down $330.5 million from the end of the previous quarter, and available liquidity of $1,126.7 million. Available liquidity improved by $317.4 million during the current quarter.

Debt Covenants

Canfor, Vida and CPPI remained in compliance with all covenants relating to their respective operating loan facilities and term debt during the quarter and expect to remain so for the foreseeable future. Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

Shares Outstanding

As at September 30, 2020 and October 22, 2020, there were 125,219,400 common shares of the Company outstanding, and Canfor's ownership interest in CPPI and Vida was at 54.8% and 70.0%, respectively.

Acquisition of Bergs Sawmill Assets

On September 1, 2020, the Company's 70% owned subsidiary, Vida, completed the purchase of sawmill assets from Bergs for $45.6 million (303 million SEK), plus working capital and other adjustments of $13.1 million (87 million SEK). The sawmills (three operating and one idled) are located in southern Sweden and add 215 million board feet of spruce and pine products to Vida's annual capacity. The acquisition, which included the retention of Bergs' employees, was accounted for as a business combination in Canfor's lumber segment.

Details of the acquisition are provided under Note 13(a) of Canfor's consolidated interim financial statements.

Phased Acquisition of Elliott

On May 31, 2019, the Company completed the first (49%) phase of a two-phase purchase of Elliott for an aggregate purchase price of US$110.5 million (paid in three instalments), before working capital adjustments. On May 31, 2020, Canfor completed the second (51%) phase purchase, bringing its ownership interest in Elliott to 100%. Following the completion of an internal valuation in the third quarter of 2020, a preliminary fair value uplift of $11.0 million was recognized retrospectively in relation to property, plant and equipment, with a corresponding decrease to goodwill.

Further details are provided under Note 13(b) of Canfor's consolidated interim financial statements.

Restructuring Costs and Assets Held for Sale

On March 9, 2020, the Company completed the sale of the Vavenby forest tenure to Interfor Corporation for net proceeds of $56.5 million, including working capital and other adjustments. The sale of the remaining Vavenby sawmill assets and liabilities to a third-party for proceeds of $6.0 million (to be paid in instalments), was completed on August 20, 2020.

During the second quarter of 2020, the Company announced its plans to permanently close its Isle Pierre sawmill located in BC. As a result of the announced closure, the assets were assessed for impairment in the second quarter of 2020, resulting in the recognition of a $5.4 million loss (before tax). During the third quarter of 2020, as management intends to sell the Isle Pierre property, plant and equipment in its current condition, the related assets and liabilities of $3.0 million and $0.8 million, respectively, were reclassified to 'Held for Sale' at September 30, 2020, with no further impairment adjustment required upon initial classification.

Countervailing and Anti-Dumping Duties

In the fourth quarter of 2020, it is currently anticipated that the Department of Commerce ("DOC") will finalize its CVD and ADD rates announced earlier in the year for the first period of administrative review ("POR1"). Based on the preliminary determination, the Company's current combined cash deposit rate of 20.52% is expected to be reset to 4.63%. In conjunction with the finalization of these rates, an additional recovery will be recognized in the Company's consolidated financial statements to reflect the difference between the accrual rate (15.84%) and final rate for POR1, currently estimated at $141.6 million (US$105.7 million).

Further details are provided under Note 14 of Canfor's consolidated interim financial statements.

OUTLOOK

Lumber

Notwithstanding the anticipated correction of lumber prices, some of which has been experienced in recent weeks, lumber market fundamentals are forecast to reflect continued strong demand with low levels of supply chain inventory persisting into early 2021. Prices are likely to remain strong in the fourth quarter of 2020, as demand remains elevated and supply slowly recovers following severe shortages in the field.

Lumber prices to Asian-Pacific markets are projected to show an improvement through the fourth quarter of 2020. Inventory levels in China are estimated to decline, supporting a modest price recovery late in the fourth quarter of 2020 and into early 2021. Demand from Japan is anticipated to remain stable with tight inventory levels likely to yield higher pricing for the fourth quarter of 2020. European prices are anticipated to improve through the fourth quarter of 2020 with lean inventories and the traditional lag in contract pricing, supporting the positive pricing outlook.

Pulp and Paper

Looking forward, global softwood pulp demand is anticipated to show a slight improvement in the fourth quarter of 2020, as markets continue to recover from the economic impact of COVID-19 and elevated inventory levels slowly begin to normalize following the seasonally slower summer months. CPPI's results in the fourth quarter of 2020 will reflect the continuation of Northwood's scheduled maintenance into early October, as well as the aforementioned capital-related outage on one production line at Northwood (with the second production line continuing to operate over this period), combined with higher associated maintenance costs and lower shipment volumes.

Bleached kraft paper markets are anticipated to soften somewhat through the balance of 2020, particularly in North America, following seasonally higher summer demand. Offshore bleached kraft paper markets are anticipated to be relatively stable over the fourth quarter of 2020.

Critical Accounting Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards ("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 the valuation of inventory, acquisitions, useful lives for amortization, impairment of long-lived assets, certain accounts receivable, pension and other employee future benefit plans, asset retirement and deferred reforestation obligations, and the determination of ADD expensed and recorded as recoverable based upon currently available information. While it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates, management does not believe it is likely that any such differences will materially affect the Company's financial condition, other than the possibility of material effects to the income statement from the Company's estimated ADD net duty recoverable as discussed in Note 4 of the consolidated interim financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended September 30, 2020, the Company included the design of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") for its Vida operations within its ICFR framework. Based on procedures performed, there were no matters arising that materially affected, or would be reasonably likely to materially affect, the design and/or operating effectiveness of such controls for the Company, when taken as a whole.

Other than the aforementioned, there were no changes in the Company's DC&P and ICFR during the quarter ended September 30, 2020 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 2019 annual statutory reports which are available on www.canfor.com or www.sedar.com.

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

Coronavirus (COVID-19)

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The Company continues to closely monitor the impacts of COVID-19, and should the duration, spread or intensity of the pandemic further develop, the supply chain, market pricing and customer demand could be further affected, impacting the Company's operating plan, liquidity, cash flows, and the valuation of its long-lived assets.

Significant health and safety measures continue to be in place at Canfor's offices, facilities and work sites, grounded in the recommendations of public health officials. These include restricting all travel, mandating self-isolation for returned travelers and any employees exhibiting symptoms or exposed to the virus, implementing physical distancing parameters between individuals, increasing cleaning and sanitization in workplaces, and where necessary, instructing employees to work remotely to reduce interpersonal contact. Forestry, including pulp and paper, has been deemed an essential service in all the provinces and states where Canfor operates.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Sales and income (loss) (millions of Canadian dollars)								
Sales	**$ 1,550.4**	$ 1,115.3	$ 1,170.7	$ 1,105.2	$ 1,091.4	$ 1,313.0	$ 1,148.7	$ 1,028.1
Operating income (loss)	**$ 299.6**	$ 96.9	$ (88.8)	$ (59.6)	$ (120.3)	$ (50.1)	$ (64.3)	$ (79.1)
Net income (loss)	**$ 216.0**	$ 62.4	$ (65.2)	$ (46.1)	$ (103.9)	$ (40.7)	$ (79.0)	$ (46.0)
Shareholder net income (loss)	**$ 218.1**	$ 60.7	$ (70.0)	$ (39.1)	$ (88.5)	$ (48.8)	$ (86.6)	$ (52.4)
Per common share (Canadian dollars)								
Shareholder net income (loss) – basic and diluted	**$ 1.74**	$ 0.48	$ (0.56)	$ (0.31)	$ (0.71)	$ (0.39)	$ (0.69)	$ (0.42)
Book value[24]	**$ 15.04**	$ 13.51	$ 13.04	$ 13.14	$ 13.33	$ 14.15	$ 14.71	$ 16.42
Common Share Repurchases								
Share volume repurchased (000 shares)	**-**	-	-	-	-	-	-	1,123
Shares repurchased (millions of Canadian dollars)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ 20.6
Statistics								
Lumber shipments (MMfbm)[25]	**1,371**	1,154	1,251	1,224	1,232	1,475	1,190	1,114
Pulp shipments (000 mt)	**249**	248	290	267	213	288	259	231
Average exchange rate – US$/Cdn$	**$ 0.751**	$ 0.722	$ 0.744	$ 0.758	$ 0.757	$ 0.748	$ 0.752	$ 0.758
Average exchange rate – SEK/Cdn$	**6.650**	6.983	7.203	7.281	7.262	7.059	6.905	6.842
Average Western SPF 2x4 #2&Btr lumber price (US$)	**$ 768**	$ 357	$ 399	$ 380	$ 356	$ 333	$ 372	$ 327
Average SYP (East) 2x4 #2 lumber price (US$)	**$ 782**	$ 463	$ 386	$ 406	$ 410	$ 393	$ 416	$ 457
Average European indicative SPF lumber price in SEK[26]	**3,414**	3,254	3,352	3,540	3,652	4,003	4,111	4,235
Average NBSK pulp list price delivered to China (US$)[27]	**$ 572**	$ 572	$ 573	$ 563	$ 555	$ 630	$ 700	$ 803

[24] 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.
[25] Canfor-produced lumber, including lumber purchased for remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.
[26] European indicative lumber price is an internally generated benchmark based on delivered price to the largest continental market.
[27] Effective January 1, 2020, all RISI China market pricing has changed from "Delivered to China – Effective list price" to "Delivered to China – Net price" as distributed through Fastmarkets RISI.

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

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except for per share amounts)	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Shareholder net income (loss), as reported	**$ 218.1**	$ 60.7	$ (70.0)	$ (39.1)	$ (88.5)	$ (48.8)	$ (86.6)	$ (52.4)
Foreign exchange (gain) loss on term debt and duty deposits recoverable, net	**$ (1.0)**	$ (4.7)	$ 13.1	$ (3.6)	$ 2.1	$ (2.9)	$ 0.8	$ 2.1
Countervailing and anti-dumping duties expense, net	**$ 37.0**	$ 14.0	$ 32.4	$ 31.9	$ 39.1	$ 33.0	$ 26.5	$ 28.8
(Gain) loss on derivative financial instruments	**$ 5.3**	$ 2.9	$ (2.4)	$ 0.2	$ 0.1	$ (1.7)	$ 25.4	$ (6.5)
Restructuring, mill closure and severance costs, net	**$ -**	$ 10.5	$ 0.7	$ 2.4	$ 4.7	$ 8.4	$ -	$ -
Net impact of above items	**$ 41.3**	$ 22.7	$ 43.8	$ 30.9	$ 46.0	$ 36.8	$ 52.7	$ 24.4
Adjusted shareholder net income (loss)	**$ 259.4**	$ 83.4	$ (26.2)	$ (8.2)	$ (42.5)	$ (12.0)	$ (33.9)	$ (28.0)
Shareholder net income (loss) per share (EPS), as reported	**$ 1.74**	$ 0.48	$ (0.56)	$ (0.31)	$ (0.71)	$ (0.39)	$ (0.69)	$ (0.42)
Net impact of above items per share	**$ 0.33**	$ 0.19	$ 0.35	$ 0.25	$ 0.37	$ 0.29	$ 0.42	$ 0.19
Adjusted net income (loss) per share	**$ 2.07**	$ 0.67	$ (0.21)	$ (0.06)	$ (0.34)	$ (0.10)	$ (0.27)	$ (0.23)

Canfor Corporation
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		**As at September 30, 2020**		As at December 31, 2019
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**192.5**	$	60.1
Accounts receivable - Trade		**333.6**		259.7
- Other		**63.7**		41.3
Income taxes receivable		**7.4**		112.5
Inventories (Note 3)		**743.3**		803.9
Prepaid expenses and other		**76.6**		64.0
Assets held for sale (Note 7)		**3.0**		69.0
Total current assets		**1,420.1**		1,410.5
Property, plant and equipment		**1,950.9**		1,974.5
Right-of-use assets		**80.0**		68.5
Timber licenses		**435.1**		445.7
Goodwill and other intangible assets		**547.8**		447.3
Long-term investments and other (Note 4)		**110.5**		173.7
Retirement benefit surplus (Note 6)		**1.2**		5.9
Deferred income taxes, net		**10.2**		0.9
Total assets	**$**	**4,555.8**	$	4,527.0
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**539.0**	$	478.4
Operating loans (Note 5(a))		**14.2**		382.0
Current portion of deferred reforestation obligations		**50.9**		51.0
Current portion of term debt (Note 5(b))		**20.5**		13.0
Other current liability		**40.6**		13.0
Current portion of lease obligations		**21.8**		21.3
Income tax payable		**-**		5.5
Liabilities held for sale (Note 7)		**0.8**		3.3
Total current liabilities		**687.8**		967.5
Term debt (Note 5(b))		**683.3**		681.7
Retirement benefit obligations (Note 6)		**261.2**		237.0
Lease obligations		**63.3**		50.9
Deferred reforestation obligations		**52.4**		56.3
Other long-term liabilities		**36.9**		32.9
Put liability (Note 8)		**127.1**		111.9
Deferred income taxes, net		**343.2**		319.9
Total liabilities	**$**	**2,255.2**	$	2,458.1
EQUITY				
Share capital	**$**	**987.9**	$	987.9
Contributed surplus and other equity		**(92.1)**		(82.8)
Retained earnings		**865.2**		674.3
Accumulated other comprehensive income		**122.0**		65.9
Total equity attributable to equity shareholders of the Company		**1,883.0**		1,645.3
Non-controlling interests		**417.6**		423.6
Total equity	**$**	**2,300.6**	$	2,068.9
Total liabilities and equity	**$**	**4,555.8**	$	4,527.0

Contingencies (Note 15) and **Subsequent Events** (Note 16)

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

APPROVED BY THE BOARD

"R.S. Smith" — Director, R.S. Smith

"C.A. Pinette" — Director, C.A. Pinette

Canfor Corporation
Condensed Consolidated Statements of Income (Loss)

(millions of Canadian dollars, except per share data, unaudited)	3 months ended September 30, **2020**	2019	9 months ended September 30, **2020**	2019
Sales	**$ 1,550.4**	$ 1,091.4	**$ 3,836.4**	$ 3,553.1
Costs and expenses				
Manufacturing and product costs	**898.1**	864.3	**2,532.4**	2,750.5
Freight and other distribution costs	**174.4**	164.5	**500.7**	523.4
Countervailing and anti-dumping duty expense, net (Note 14)	**50.7**	53.5	**114.3**	135.0
Amortization	**93.5**	92.9	**280.5**	267.0
Selling and administration costs	**34.1**	30.1	**85.4**	94.0
Restructuring, mill closure and severance costs, net	**-**	6.4	**15.4**	17.9
	1,250.8	1,211.7	**3,528.7**	3,787.8
Operating income (loss)	**299.6**	(120.3)	**307.7**	(234.7)
Finance expense, net	**(11.2)**	(16.1)	**(40.3)**	(41.2)
Foreign exchange gain (loss) on term debt	**2.0**	(3.0)	**(9.3)**	2.1
Foreign exchange gain (loss) on duty deposits recoverable, net	**(0.9)**	0.8	**1.0**	(2.3)
Loss on derivative financial instruments (Note 8)	**(7.9)**	(0.1)	**(8.4)**	(25.9)
Other income, net	**5.9**	1.2	**17.4**	2.0
Net income (loss) before income taxes	**287.5**	(137.5)	**268.1**	(300.0)
Income tax recovery (expense) (Note 9)	**(71.5)**	33.6	**(54.9)**	76.4
Net income (loss)	**$ 216.0**	$ (103.9)	**$ 213.2**	$ (223.6)
Net income (loss) attributable to:				
Equity shareholders of the Company	**$ 218.1**	$ (88.5)	**$ 208.8**	$ (223.9)
Non-controlling interests	**(2.1)**	(15.4)	**4.4**	0.3
Net income (loss)	**$ 216.0**	$ (103.9)	**$ 213.2**	$ (223.6)
Net income (loss) per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 10)	**$ 1.74**	$ (0.71)	**$ 1.67**	$ (1.79)

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

Canfor Corporation
Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2020**	2019	9 months ended September 30, **2020**	2019
Net income (loss)	**$ 216.0**	$ (103.9)	**$ 213.2**	$ (223.6)
Other comprehensive income (loss)				
Items that will not be recycled through net income (loss):				
Defined benefit plan actuarial gains (losses) (Note 6)	**(17.9)**	5.8	**(26.9)**	10.9
Income tax recovery (expense) on defined benefit plan actuarial losses/gains (Note 9)	**4.9**	(1.6)	**7.3**	(3.0)
	(13.0)	4.2	**(19.6)**	7.9
Items that may be recycled through net income (loss):				
Foreign exchange translation of foreign operations, net of tax	**(12.1)**	(18.5)	**56.1**	(47.2)
Other comprehensive income (loss), net of tax	**(25.1)**	(14.3)	**36.5**	(39.3)
Total comprehensive income (loss)	**$ 190.9**	$ (118.2)	**$ 249.7**	$ (262.9)
Total comprehensive income (loss) attributable to:				
Equity shareholders of the Company	**$ 194.3**	$ (103.1)	**$ 247.0**	$ (267.2)
Non-controlling interests	**(3.4)**	(15.1)	**2.7**	4.3
Total comprehensive income (loss)	**$ 190.9**	$ (118.2)	**$ 249.7**	$ (262.9)

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

Canfor Corporation
Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended September 30, 2020	3 months ended September 30, 2019	9 months ended September 30, 2020	9 months ended September 30, 2019
Share capital				
Balance at beginning of period	**$ 987.9**	$ 987.9	**$ 987.9**	$ 987.9
Balance at end of period	**$ 987.9**	$ 987.9	**$ 987.9**	$ 987.9
Contributed surplus and other equity				
Balance at beginning of period	**$ (89.2)**	$ (86.7)	**$ (82.8)**	$ 31.9
Put liability related to Vida acquisition (Note 8)	**(2.9)**	-	**(9.3)**	(118.6)
Balance at end of period	**$ (92.1)**	$ (86.7)	**$ (92.1)**	$ (86.7)
Retained earnings				
Balance at beginning of period	**$ 658.8**	$ 794.1	**$ 674.3**	$ 931.1
Net income (loss) attributable to equity shareholders of the Company	**218.1**	(88.5)	**208.8**	(223.9)
Defined benefit plan actuarial gains (losses), net of tax	**(11.7)**	3.9	**(17.9)**	3.9
Impact of change in lease accounting policy	**-**	-	**-**	(1.6)
Balance at end of period	**$ 865.2**	$ 709.5	**$ 865.2**	$ 709.5
Accumulated other comprehensive income				
Balance at beginning of period	**$ 134.1**	$ 76.8	**$ 65.9**	$ 105.5
Foreign exchange translation of foreign operations, net of tax	**(12.1)**	(18.5)	**56.1**	(47.2)
Balance at end of period	**$ 122.0**	$ 58.3	**$ 122.0**	$ 58.3
Total equity attributable to equity shareholders of the Company	**$ 1,883.0**	$ 1,669.0	**$ 1,883.0**	$ 1,669.0
Non-controlling interests				
Balance at beginning of period	**$ 428.0**	$ 458.3	**$ 423.6**	$ 283.5
Net income (loss) attributable to non-controlling interests	**(2.1)**	(15.4)	**4.4**	0.3
Defined benefit plan actuarial gains (losses) attributable to non-controlling interests, net of tax	**(1.3)**	0.3	**(1.7)**	4.0
Distributions to non-controlling interests	**(7.0)**	(2.1)	**(8.7)**	(17.6)
Impact of change in lease accounting policy	**-**	-	**-**	(0.1)
Acquisition of non-controlling interests	**-**	(0.3)	**-**	170.7
Balance at end of period	**$ 417.6**	$ 440.8	**$ 417.6**	$ 440.8
Total equity	**$ 2,300.6**	$ 2,109.8	**$ 2,300.6**	$ 2,109.8

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

Canfor Corporation
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended September 30, 2020	2019	9 months ended September 30, 2020	2019
Cash generated from (used in):				
Operating activities				
Net income (loss)	**$ 216.0**	$ (103.9)	**$ 213.2**	$ (223.6)
Items not affecting cash:				
Amortization	**93.5**	92.9	**280.5**	267.0
Income tax expense (recovery)	**71.5**	(33.6)	**54.9**	(76.4)
Change in long-term deferred reforestation obligations, net	**(28.4)**	(27.5)	**(4.6)**	(15.0)
Foreign exchange (gain) loss on term debt	**(2.0)**	3.0	**9.3**	(2.1)
Foreign exchange (gain) loss on duty deposits recoverable, net (Note 4)	**0.9**	(0.8)	**(1.0)**	2.3
Adjustment to accrued duties (Note 14)	**(13.5)**	19.9	**(11.8)**	30.9
Changes in mark-to-market value of derivative financial instruments (Note 8)	**(0.7)**	0.1	**1.3**	15.7
Employee future benefits expense	**2.8**	2.6	**8.0**	8.0
Restructuring, mill closure and severance costs	**-**	6.4	**15.4**	17.9
Finance expense, net	**11.2**	16.1	**40.3**	41.2
Other, net	**5.4**	-	**6.3**	(0.8)
Restructuring, mill closure and severance costs paid	**(7.0)**	(8.5)	**(11.0)**	(8.5)
Defined benefit plan contributions, net	**(2.0)**	(5.7)	**(11.1)**	(16.4)
Income taxes received (paid), net	**(2.3)**	(6.1)	**69.0**	(7.5)
	345.4	(45.1)	**658.7**	32.7
Net change in non-cash working capital (Note 11)	**77.3**	63.1	**54.8**	41.1
	422.7	18.0	**713.5**	73.8
Financing activities				
Change in operating loans (Note 5(a))	**(286.5)**	82.5	**(368.7)**	424.1
Proceeds (repayment), net from term debt	**(0.1)**	49.8	**0.1**	281.1
Payment of lease obligations	**(6.4)**	(4.6)	**(17.9)**	(11.9)
Finance expenses paid	**(8.8)**	(12.7)	**(35.8)**	(34.3)
Cash distributions paid to non-controlling interests	**(7.0)**	(2.1)	**(8.7)**	(17.6)
Acquisition of non-controlling interest, net	**-**	(0.2)	**-**	(0.2)
	(308.8)	112.7	**(431.0)**	641.2
Investing activities				
Additions to property, plant and equipment, timber, and intangible assets, net	**(23.1)**	(76.4)	**(107.6)**	(233.1)
Consideration paid for Bergs sawmill assets (Note 13(a))	**(58.7)**	-	**(58.7)**	-
Other, net	**0.4**	1.2	**4.7**	(15.1)
Proceeds on sale of Vavenby forest tenure (Note 7)	**-**	-	**56.5**	-
Consideration paid for acquisition of Vida, net of cash acquired	**-**	-	**-**	(562.3)
Vida consideration holdback	**-**	-	**-**	(9.7)
Phased acquisition of Elliott, net of cash acquired (Note 13(b))	**-**	-	**(46.3)**	(52.0)
	(81.4)	(75.2)	**(151.4)**	(872.2)
Foreign exchange gain (loss) on cash and cash equivalents	**(1.8)**	0.1	**1.3**	0.8
Increase (decrease) in cash and cash equivalents*	**30.7**	55.6	**132.4**	(156.4)
Cash and cash equivalents at beginning of period*	**161.8**	40.7	**60.1**	252.7
Cash and cash equivalents at end of period*	**$ 192.5**	$ 96.3	**$ 192.5**	$ 96.3

*Cash and cash equivalents include cash on hand less unpresented cheques.

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

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, and include the accounts of Canfor Corporation and its subsidiary entities, including Canfor Pulp Products Inc. ("CPPI") and the Vida Group of Sweden ("Vida"), hereinafter referred to as "Canfor" or "the Company".

These financial statements do not include all of the disclosures required by International Financial Reporting 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, 2019, available at www.canfor.com or www.sedar.com.

Certain comparative amounts for the prior period have been reclassified to conform to the current period's presentation.

These financial statements were authorized for issue by the Company's Board of Directors on October 22, 2020.

2. Seasonality of Operations

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

3. Inventories

(millions of Canadian dollars, unaudited)		**As at September 30, 2020**		As at December 31, 2019
Logs	**$**	**127.0**	$	185.5
Finished products		**435.2**		452.6
Residual fibre		**55.5**		38.7
Materials and supplies		**125.6**		127.1
	$	**743.3**	$	803.9

The above balances are stated at the lower of cost and net realizable value. For the three months ended September 30, 2020, no inventory valuation adjustment was recognized for the lumber segment (nine months ended September 30, 2020 – $17.6 million write-down recovery). No provision for logs and lumber remains at September 30, 2020 (December 31, 2019 – provision of $17.6 million, net of a specific provision of $10.5 million).

For the three months ended September 30, 2020, a $3.0 million write-down recovery was recognized in the pulp and paper segment (nine months ended September 30, 2020 – $5.5 million write-down recovery), resulting in a $5.2 million inventory provision for pulp logs, finished products and raw materials at September 30, 2020 (December 31, 2019 – provision of $10.7 million).

4. Long-Term Investments and Other

(millions of Canadian dollars, unaudited)		**As at September 30, 2020**		As at December 31, 2019
Investment in Elliott (Note 13(b))	**$**	**-**	$	78.1
Other investments		**13.5**		11.4
Duty deposits recoverable, net (Note 14)		**45.2**		32.4
Other deposits, loans, advances and long-term assets		**51.8**		51.8
	$	**110.5**	$	173.7

The duty deposits recoverable, net balance represents US-dollar anti-dumping and countervailing duty cash deposits paid in excess of the calculated expense accrued at September 30, 2020 (Note 14).

5. Operating Loans and Term Debt

(a) Available Operating Loans

(millions of Canadian dollars, unaudited)		**As at September 30, 2020**		As at December 31, 2019
Canfor (excluding Vida and CPPI)				
Available operating loans:				
Operating loan facility	**$**	**550.0**	$	550.0
Revolving credit facility		**200.0**		100.0
Facilities for letters of credit		**70.0**		70.0
Total operating loan facilities		**820.0**		720.0
Operating loan facility drawn		**-**		(350.0)
Letters of credit		**(64.9)**		(65.2)
Total available operating loan facilities - Canfor	**$**	**755.1**	$	304.8
Vida				
Available operating loans:				
Operating loan facilities	**$**	**74.6**	$	71.0
Overdraft facilities		**21.6**		21.5
Total operating loan facilities		**96.2**		92.5
Operating loan facilities drawn		**(0.3)**		(0.2)
Overdraft facilities drawn		**(13.9)**		(17.8)
Total available operating loan facilities - Vida	**$**	**82.0**	$	74.5
CPPI				
Available operating loans:				
Operating loan facility	**$**	**110.0**	$	110.0
Letters of credit		**(12.9)**		(13.2)
Operating loan facility drawn		**-**		(14.0)
Total available operating loan facility - CPPI	**$**	**97.1**	$	82.8
Consolidated:				
Total operating loan facilities	**$**	**1,026.2**	$	922.5
Total operating loan facilities drawn	**$**	**14.2**	$	382.0
Total available operating loan facilities	**$**	**934.2**	$	462.1

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

On June 11, 2020, Canfor (excluding Vida and CPPI) increased the principal of its committed revolving credit facility by $100.0 million to $200.0 million, with a maturity date of June 10, 2021. Terms of the revolving facility are largely consistent with those of Canfor's existing committed operating loan facility.

Canfor (excluding Vida and CPPI) has a separate facility to cover letters of credit. At September 30, 2020, $62.5 million of letters of credit outstanding are covered under this facility with the balance of $2.4 million covered under Canfor's general committed operating loan facility.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 1.0% to 1.3%. Vida also has separate overdraft facilities with fixed interest rates ranging from 1.7% to 4.7%.

The terms of CPPI'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 lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar LIBOR rate, plus a margin.

Canfor and CPPI's operating loan facilities have certain financial covenants, including maximum debt to total capitalization ratios. Vida is also subject to certain financial covenants, including minimum equity and interest coverage ratios. As at September 30, 2020, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their operating loan facilities. Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

(b) Term Debt

(millions of Canadian dollars, unaudited)		**As at September 30, 2020**		As at December 31, 2019
Canfor (excluding Vida and CPPI)				
CAD$225.0 million, floating interest, repayable January 2, 2024	**$**	**225.0**	$	225.0
US$200.0 million, floating interest, repayable January 2, 2027		**267.9**		259.7
US$100.0 million, fixed interest of 4.4%, repayable in three equal tranches on October 2, 2023, 2024 and 2025		**134.0**		129.9
Other (US$3.9 million)[1]		**5.3**		9.9
Vida				
SEK 129.5 million, floating interest, repayable in instalments up to December 31, 2020[2]		**19.0**		10.4
SEK 9.5 million, floating interest, repayable April 30, 2022		**1.4**		2.0
SEK 2.0 million, floating interest, repayable August 31, 2024		**0.3**		0.3
SEK 2.6 million, floating interest, repayable April 30, 2022		**0.4**		0.5
AUD 0.6 million, floating interest, with no fixed maturity date		**0.5**		7.0
CPPI				
CAD $50.0 million, floating interest, repayable September 30, 2022		**50.0**		50.0
Term debt at end of period	**$**	**703.8**	$	694.7
Less: Current portion		**(20.5)**		(13.0)
Long-term portion	**$**	**683.3**	$	681.7

[1] Amount relates to net financing for specific capital projects at Canfor's U.S. sawmills.
[2] Renewed annually.

Canfor's and CPPI's term debt (excluding Vida) is unsecured. Vida's term debt is secured by its property, plant and equipment. Canfor's borrowings (excluding Vida) are subject to certain financial covenants, including a maximum debt to total capitalization ratio. Vida's borrowings are subject to certain financial covenants, including minimum equity and interest coverage ratios. As at September 30, 2020, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their term debt.

Fair value of total term debt

At September 30, 2020, the fair value of the Company's term debt is $711.8 million (December 31, 2019 - $700.6 million) determined based on market rates for the term debt with similar characteristics and risk profile.

6. Employee Future Benefits

For the three and nine months ended September 30, 2020, defined benefit plan actuarial losses of $17.9 million and $26.9 million (before tax), respectively, were recognized in other comprehensive income (loss), reflecting a lower discount rate used to value the net defined benefit obligations, offset in part by a higher than anticipated return on plan assets.

For the three and nine months ended September 30, 2019, the Company recognized actuarial gains in other comprehensive income (loss) of $5.8 million and $10.9 million (before tax), respectively.

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, 2020	**2.7%**	**2.7%**
June 30, 2020	3.0%	3.0%
December 31, 2019	3.0%	3.0%
September 30, 2019	3.0%	3.0%
June 30, 2019	3.0%	3.0%
December 31, 2018	3.6%	3.6%

7. Assets Held for Sale

On March 9, 2020, the Company completed the sale of the Vavenby forest tenure to Interfor Corporation for net proceeds of $56.5 million, including working capital and other adjustments. The sale of the remaining Vavenby sawmill assets and liabilities to a third-party for proceeds of $6.0 million (to be paid in instalments), was completed on August 20, 2020.

During the second quarter of 2020, the Company announced its plans to permanently close its Isle Pierre sawmill located in British Columbia. As a result of the announced closure, the assets were assessed for impairment in the second quarter of 2020, resulting in the recognition of a $5.4 million loss (before tax) recognized as a component of 'Restructuring, Mill Closure and Severance Costs, Net' on the consolidated statement of income (loss). During the third quarter of 2020, as Management intends to sell the Isle Pierre property, plant and equipment in its current condition, the related assets and liabilities of $3.0 million and $0.8 million, respectively, were reclassified to 'Held for Sale' at September 30, 2020, with no further impairment adjustment required upon initial classification in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

8. Financial Instruments

Canfor's cash and cash equivalents, trade and other accounts receivable, certain long-term investments and advances, accounts payable and accrued liabilities, other liabilities, operating loans, and term debt are classified as measured at amortized cost in accordance with IFRS 9 *Financial Instruments*. The carrying amounts of these instruments, excluding term debt, approximate fair value at September 30, 2020 and December 31, 2019.

Derivative instruments and investments in debt and equity securities (excluding associates accounted for under the equity method) are classified as measured at fair value through profit or loss. The put liability is measured initially at fair value, with subsequent gains and losses recognized in 'Other Equity'. IFRS 13 *Fair Value Measurement*, requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

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

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

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

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

(millions of Canadian dollars, unaudited)	Fair Value Hierarchy Level		**As at September 30, 2020**		As at December 31, 2019
Financial assets measured at fair value					
Investments	Level 1	**$**	**12.9**	$	10.7
Derivative financial instruments	Level 2		**-**		0.3
		$	**12.9**	$	11.0
Financial liabilities measured at fair value					
Derivative financial instruments	Level 2		**1.1**		-
Put liability	Level 3		**127.1**		111.9
		$	**128.2**	$	111.9

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

	3 months ended September 30,				9 months ended September 30,			
(millions of Canadian dollars, unaudited)		**2020**		2019		**2020**		2019
Interest rate swaps	**$**	**-**	$	-	**$**	**(0.4)**	$	-
Lumber futures		**(5.2)**		(0.1)		**(6.2)**		5.3
Foreign exchange forward contracts		**(2.7)**		-		**(1.8)**		(31.2)
Loss on derivative financial instruments	**$**	**(7.9)**	$	(0.1)	**$**	**(8.4)**	$	(25.9)

The Company has no lumber futures contracts outstanding as at September 30, 2020.

During the three and nine months ended September 30, 2020, losses of $2.9 million and $9.3 million, respectively, were recognized in 'Other Equity' on the Company's consolidated balance sheet following remeasurement of the put liability associated with the acquisition of Vida.

9. Income Taxes

(millions of Canadian dollars, unaudited)	3 months ended September 30, 2020	2019	9 months ended September 30, 2020	2019
Current	**$ (60.0)**	$ 31.9	**$ (34.5)**	$ 69.0
Deferred	**(11.5)**	1.7	**(20.4)**	7.4
Income tax recovery (expense)	**$ (71.5)**	$ 33.6	**$ (54.9)**	$ 76.4

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

(millions of Canadian dollars, unaudited)	3 months ended September 30, 2020	2019	9 months ended September 30, 2020	2019
Income tax recovery (expense) at statutory rate – 27% (2019 – 27%)	**$ (77.6)**	$ 37.1	**$ (72.4)**	$ 81.0
Add (deduct):				
Non-taxable income (loss) related to non-controlling interests	**0.1**	(0.1)	**(0.2)**	0.1
Entities with different income tax rates and other tax adjustments	**5.6**	(2.9)	**18.7**	0.4
Permanent difference from capital gains and losses and other non-deductible items	**0.4**	(0.5)	**(1.0)**	(5.1)
Income tax recovery (expense)	**$ (71.5)**	$ 33.6	**$ (54.9)**	$ 76.4

In addition to the amounts recorded to net income (loss), a tax recovery of $4.9 million was recorded to other comprehensive income (loss) for the three months ended September 30, 2020 in relation to the actuarial losses on defined benefit plans (three months ended September 30, 2019 – expense of $1.6 million). For the nine months ended September 30, 2020, a tax recovery of $7.3 million (nine months ended September 30, 2019 – expense of $3.0 million).

Also included in other comprehensive income (loss) for the nine months ended September 30, 2020, a tax recovery of $6.3 million related to foreign exchange differences on translation of investments in foreign operations (three months ended September 30, 2020 – nil). For the nine months ended September 30, 2019, a tax recovery of $1.1 million was recognized (three months ended September 30, 2019 - expense of $0.5 million).

10. Earnings (Loss) Per Share

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

	3 months ended September 30, 2020	2019	9 months ended September 30, 2020	2019
Weighted average number of common shares	**125,219,400**	125,219,400	**125,219,400**	125,219,400

As at September 30, 2020 and October 22, 2020 there were 125,219,400 common shares of the Company outstanding, and Canfor's ownership interest in CPPI and Vida was 54.8% and 70.0%, respectively.

11. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended September 30, 2020	2019	9 months ended September 30, 2020	2019
Accounts receivable	**$ (34.9)**	$ 42.0	**$ (76.9)**	$ 7.3
Inventories	**25.1**	86.7	**95.0**	134.5
Prepaid expenses and other	**15.7**	8.1	**(9.4)**	(13.2)
Accounts payable and accrued liabilities, current portion of deferred reforestation obligations and other current liabilities	**71.4**	(73.7)	**46.1**	(87.5)
Net change in non-cash working capital	**$ 77.3**	$ 63.1	**$ 54.8**	$ 41.1

12. Segment Information

Canfor has two reportable segments (lumber segment and pulp and paper segment), which offer different products and are managed separately because they require different production processes and marketing strategies.

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

The Company's panels business does not meet the criteria to be reported fully as a separate segment and is included in 'Unallocated & Other' below.

(millions of Canadian dollars, unaudited)	Lumber	Pulp & Paper	Unallocated & Other	Elimination Adjustment	Consolidated
3 months ended September 30, 2020					
Sales from contracts with customers	**$ 1,324.1**	**$ 226.3**	**$ -**	**$ -**	**$ 1,550.4**
Sales to other segments	**58.8**	**0.1**	**-**	**(58.9)**	**-**
Operating income (loss)	**336.7**	**(27.6)**	**(9.5)**	**-**	**299.6**
Amortization	**74.3**	**18.9**	**0.3**	**-**	**93.5**
Capital expenditures[3]	**14.7**	**8.1**	**0.3**	**-**	**23.1**
3 months ended September 30, 2019					
Sales from contracts with customers	$ 874.6	$ 216.8	$ -	$ -	$ 1,091.4
Sales to other segments	48.3	0.1	-	(48.4)	-
Operating income (loss)	(66.5)	(44.0)	(9.8)	-	(120.3)
Amortization	69.0	23.7	0.2	-	92.9
Capital expenditures[3]	49.7	26.0	0.7	-	76.4
9 months ended September 30, 2020					
Sales from contracts with customers	**$ 3,083.9**	**$ 752.5**	**$ -**	**$ -**	**$ 3,836.4**
Sales to other segments	**155.5**	**0.2**	**-**	**(155.7)**	**-**
Operating income (loss)	**355.0**	**(27.8)**	**(19.5)**	**-**	**307.7**
Amortization	**219.5**	**60.1**	**0.9**	**-**	**280.5**
Capital expenditures[3]	**67.3**	**39.1**	**1.2**	**-**	**107.6**
Identifiable assets	**3,410.4**	**849.8**	**295.6**	**-**	**4,555.8**
9 months ended September 30, 2019					
Sales from contracts with customers	$ 2,712.8	$ 840.3	$ -	$ -	$ 3,553.1
Sales to other segments	173.2	0.1	-	(173.3)	-
Operating income (loss)	(199.9)	(7.5)	(27.3)	-	(234.7)
Amortization	197.1	69.3	0.6	-	267.0
Capital expenditures[3]	155.0	75.9	2.2	-	233.1
Identifiable assets	3,469.3	893.0	287.8	-	4,650.1

[3]Capital expenditures represent cash paid for capital assets during the periods, excluding assets purchased as part of the acquisition of Bergs sawmill assets and second phase acquisition of Elliott in 2020 (Note 13), as well as the acquisition of Vida in 2019. Pulp & Paper includes capital expenditures by CPPI that were partially financed by government grants.

Geographic information

Canfor operates manufacturing facilities in Canada, the US and Europe. Canfor's products are marketed worldwide, with sales made to customers in a number of different countries. In presenting information on the basis of geographical location, sales are based on the geographical location of customers.

	3 months ended September 30,				9 months ended September 30,			
(millions of Canadian dollars, unaudited)		**2020**		2019		**2020**		2019
Sales by location of customer								
Canada	**10%**	**$ 146.6**	10%	$ 109.4	**10%**	**$ 367.8**	10%	$ 361.7
Asia	**14%**	**212.2**	20%	215.9	**18%**	**696.2**	24%	856.2
United States	**63%**	**979.6**	51%	558.3	**55%**	**2,119.8**	49%	1,746.0
Europe	**12%**	**190.9**	16%	178.5	**14%**	**554.6**	14%	489.4
Other	**1%**	**21.1**	3%	29.3	**3%**	**98.0**	3%	99.8
	100%	**$ 1,550.4**	100%	$ 1,091.4	**100%**	**$ 3,836.4**	100%	$ 3,553.1

13. Acquisitions

(a) Bergs Timber Production AB Sawmill Assets

On September 1, 2020, the Company's 70% owned subsidiary, Vida, completed the purchase of sawmill assets from Bergs Timber Production AB ("Bergs") for $45.6 million (303 million Swedish Krona ("SEK")), plus working capital and other adjustments of $13.1 million (87 million SEK). The sawmills (three operating and one idled) are located in southern Sweden and add 215 million board feet of spruce and pine products to Vida's annual capacity. The acquisition of 100% of the sawmill assets, which included the retention of Bergs employees, was accounted for as a business combination under IFRS 3 *Business Combinations* ("IFRS 3") and is included in Canfor's lumber segment.

The following table summarizes the preliminary recognized amounts of identifiable net assets acquired by Vida (at 100%) at the acquisition date:

(millions of Canadian dollars, unaudited)		
Land and buildings	$	12.4
Property, plant and equipment (including leases)		33.2
Non-cash working capital, net (including inventory)		14.6
Deferred tax liability on fair value adjustments		(3.2)
Total preliminary net identifiable assets	$	57.0
Preliminary goodwill		1.7
Total preliminary consideration	$	58.7

Preliminary amounts may be revised as the Company completes an internal valuation of property, plant and equipment and finalizes its purchase price allocation in the fourth quarter of 2020.

The Company incurred acquisition-related costs of $0.4 million which have been expensed as incurred and included in 'Selling and Administration Costs' on the consolidated statement of income (loss).

(b) Elliott Sawmilling Co., LLC

On May 31, 2019, the Company completed the first of a two-phase purchase of Elliott with an aggregate purchase price of US$110.5 million (paid in three instalments), plus a net working capital adjustment of $4.1 million (US$3.1 million). Elliott is located in Estill, South Carolina, and adds 210 million board feet of high-value SYP lumber production capacity. In accordance with IAS 28 *Investments in Associates and Joint Ventures*, the first phase (49%) purchase of $52.0 million (US$38.5 million, the first instalment) was recognized as an equity investment, accounted for under the equity method.

On May 31, 2020, Canfor completed the second phase (51%) purchase for $50.4 million (US$37.0 million, the second instalment), bringing its ownership interest in Elliott to 100%. As a result, the equity investment was derecognized, and Elliott's results were consolidated into Canfor's on the May 31, 2020 acquisition date in accordance with IFRS 3.

The tables below summarize the consideration paid for Elliott and revised preliminary amounts of assets acquired and liabilities assumed on the acquisition date:

(millions of Canadian dollars, unaudited)		
Cash consideration (first and second instalments and working capital adjustment)[4]	$	107.1
Consideration payable (third instalment of US$35.0 million, net of term loan facility)		41.3
Total consideration	$	148.4

[4] Reflects foreign exchange movements of $0.6 million related to timing of payments.

Cash	$	4.1
Land and buildings		9.0
Property, plant and equipment[5]		35.9
Non-cash working capital, net		6.8
Total preliminary net identifiable assets	$	55.8
Preliminary goodwill[5]		92.0
Deferred tax asset on fair value adjustments, net		0.6
Total consideration	$	148.4

[5] Adjustments made during the three months ended September 30, 2020, include an increase in the fair value of property, plant and equipment of $11.0 million, with a corresponding decrease in goodwill.

Revised preliminary amounts reflect retrospective adjustments to property, plant and equipment fair values following the completion of an internal valuation in the third quarter of 2020. Preliminary amounts may be revised further as the Company finalizes its purchase price allocation in the fourth quarter of 2020.

14. Countervailing and Anti-Dumping Duties

In 2016, a petition was filed by the US Lumber Coalition to the US Department of Commerce ("DOC") and the US International Trade Commission ("ITC") alleging certain subsidies and administered fees below the fair market value of timber that favour Canadian lumber producers. Canfor was selected by the DOC as a "mandatory respondent" to the countervailing and anti-dumping investigations and is subject to company specific countervailing and anti-dumping duties. As a result of the DOC's investigation, countervailing duties ("CVD") and anti-dumping duties ("ADD") were imposed on the Company's Canadian lumber exports to the United States beginning in 2017, with cash deposits posted at an ADD rate of 7.28% and CVD rate of 13.24%, resulting in a combined cash deposit rate at September 30, 2020 of 20.52%.

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

First Period of Review ("POR1")

Despite cash deposits being made at rates determined by the DOC in 2017 (20.52%), the final liability associated with duties is not determined until the completion of administrative reviews performed by the DOC. For the CVD rate, the first period of review was based on sales and cost data through 2017 and 2018, while the ADD rate was based off data from July 2017 to December 2018. For the first period of review, the Company accrued the ADD expense at an estimated rate of 2.6% and recorded the CVD expense at the DOC's cash deposit rate of 13.24% (combined rate of 15.84%).

In early 2020, the DOC announced the preliminary results for the first period of review. The Company's preliminary CVD cash deposit rate was determined to be 2.93% for 2017 and 2.61% for 2018 (versus a cash deposit rate of 13.24%), while the preliminary ADD cash deposit rate was 2.02% for the entire first period of review (versus a cash deposit rate of 7.28% and estimated accrual rate of 2.6%). For the Company, the difference between the combined cash deposit rate of 20.52% and the combined preliminary DOC rates for POR1 is currently estimated at $218.8 million (US$163.3 million).

Upon finalization of these rates (currently anticipated towards the end of the fourth quarter of 2020), the Company's current combined cash deposit rate of 20.52% will be reset to the final rates as determined in the first period of review (4.63% based on the preliminary determination). This new cash deposit rate will apply on the Company's Canadian lumber shipments destined to the United States until completion of the administrative review for the second period of review (anticipated in 2021).

In addition, upon finalization of these rates, an additional recovery will be recognized in the Company's consolidated financial statements to reflect the difference between the accrual rate of 15.84% and final rates as established for the first period of review. This additional recovery is currently estimated at $141.6 million (US$105.7 million).

Despite the reduced preliminary rates for the first period of review, no cash duties will be refunded to the Company until such time as the litigation regarding the imposition of CVD and ADD has been settled.

Second and Third Periods of Review ("POR 2" and "POR 3")

The second period of review is based on sales and cost data in 2019. While the Company was unable to estimate an applicable CVD rate separate from the cash deposit rate for 2019, ADD was expensed at an estimated rate of 16.0%, resulting in a combined rate of 29.24% (versus the cash deposit rate of 20.52%). In the second quarter of 2020, Canfor was selected as a "mandatory respondent" to the CVD and ADD investigations for the second period of review and will therefore be subject to company specific duties for this period.

On January 1, 2020, the Company moved into the third period of review, which is based on sales and cost data in 2020. The Company continues to expense CVD at the cash deposit rate of 13.24%, with ADD expensed at an estimated rate of 5.0% for POR3 (current combined CVD and ADD rate of 18.24%). The estimated ADD accrual rate for POR3 decreased from an estimated rate of 8.0% at June 30, 2020, principally driven by significantly improved lumber pricing

in the third quarter of 2020, resulting in an ADD recovery of $7.2 million recognized in the three months ended September 30, 2020.

Summary

As at September 30, 2020, Canfor has paid cumulative cash deposits of $547.5 million. For accounting purposes, a net duty recoverable of $45.2 million is included on the Company's consolidated balance sheet (Note 4) reflecting differences between the cash deposit rate (20.52%) and the Company's combined accrual rates for each period of review (POR1: 15.84%, POR2: 29.24%, and POR3: 18.24%).

For the nine months ended September 30, 2020, the Company recorded a net duty expense of $114.3 million (three months ended September 30, 2020 - $50.7 million), comprised of cash deposits paid of $126.1 million (three months ended September 30, 2020 - $64.2 million), and a net recovery of $11.8 million (three months ended September 30, 2020 – recovery of $13.5 million), including the aforementioned $7.2 million recovery in POR3.

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

15. Contingencies

Coronavirus Outbreak

On March 11, 2020, the World Health Organization declared the coronavirus ("COVID-19") outbreak a pandemic. As an essential service, the Company has continued to operate, for the most part, with some minor disruptions, increased safety protocols and additional cleaning and sanitizing activities. The Company continues to closely monitor the impacts of COVID-19, however, and should the duration, spread or intensity of the pandemic further develop, the supply chain, market pricing and customer demand could be further affected, impacting the Company's operating plan, liquidity, cash flows, and the valuation of its long-lived assets.

16. Subsequent Events

Subsequent to quarter-end, the Company completed the sale of its currently idled PolarBoard Oriented Strand Board ("OSB") plant and its permanently closed Tackama plywood plant to a third-party for estimated proceeds of $10.0 million.

In addition, in mid-October, Management made the decision to extend the outage on CPPI's recovery boiler number five ("RB5") to enable the replacement of the lower furnace. The estimated capital cost of the lower furnace upgrade is $30 million, with the work anticipated to take between 70-80 days on one production line, which will reduce Northern Bleached Softwood Kraft ("NBSK") pulp production by 60,000 to 70,000 tonnes. This lower furnace replacement, in conjunction with the upper furnace upgrades, is projected to ensure RB5's continued operation for another 15 to 20 years.