CANFOR PULP PRODUCTS INC.

2017
QUARTER FOUR
INTERIM REPORT

FOR THE THREE MONTHS ENDED DEC 31, 2017

To Our Shareholders

Canfor Pulp Products Inc. ("CPPI") reported fourth quarter 2017 results and quarterly dividend:

Fourth Quarter and 2017 Highlights

- Record quarterly operating income of $67 million, surpassing previous high by more than $14 million
- Operating income of $155 million and record-high sales of $1.2 billion in 2017
- Net income of $45 million, or $0.69 per share; $102 million, or $1.55 per share for 2017
- Early repayment of $50 million long-term debt

Financial Results

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

(millions of Canadian dollars, except per share amounts)	Q4 2017	Q3 2017	YTD 2017	Q4 2016	YTD 2016
Sales	**$ 322.9**	$ 284.9	**$ 1,197.9**	$ 257.8	$ 1,101.9
Operating income before amortization	**$ 85.6**	$ 39.4	**$ 229.0**	$ 42.1	$ 172.0
Operating income	**$ 66.8**	$ 21.1	**$ 154.6**	$ 22.9	$ 98.2
Net income	**$ 45.2**	$ 12.6	**$ 102.1**	$ 10.1	$ 57.8
Net income per share, basic and diluted	**$ 0.69**	$ 0.19	**$ 1.55**	$ 0.15	$ 0.86
Adjusted net income[1]	**$ 48.0**	$ 12.6	**$ 104.9**	$ 10.1	$ 57.8
Adjusted net income per share, basic and diluted[1]	**$ 0.73**	$ 0.19	**$ 1.59**	$ 0.15	$ 0.86

[1] Adjusted for $2.8 million increase in tax expense that was recognized in the fourth quarter of 2017, as a result of an increase in the corporate tax rate that was substantively enacted by the Provincial Government of British Columbia during the current quarter.

The Company reported record operating income of $66.8 million for the fourth quarter of 2017, an increase of $45.7 million from the $21.1 million reported for the third quarter of 2017, as the Company benefited from a sharp improvement in market conditions, and the associated near-record high US-dollar pricing for Northern Bleached Softwood Kraft ("NBSK") pulp combined with significant increases in Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") US-dollar pricing. The strong surge in demand in the current quarter, principally from China, was partly in response to new regulations by the Chinese government restricting the import of recycled mixed paper. This development, in combination with already solid demand, a modest decline in the Canadian dollar and various unforeseen global pulp supply disruptions, paved the way for a significant increase in NBSK pulp unit sales realizations quarter over quarter. Average BCTMP unit sales realizations also saw strong gains, reflecting the good market conditions and the favourable foreign exchange movement in the fourth quarter of 2017. Energy revenues also increased, for the most part, reflecting strong power generation combined with seasonally higher energy prices.

Pulp shipments and production volumes were broadly in line with the previous quarter. The impact on pulp production of the previously announced unscheduled outage at the Company's Northwood NBSK pulp mill in November, was offset in part by improved productivity across all NBSK pulp mills, including the Northwood mill following the outage. After taking account of scheduled and unscheduled outages in each period, total pulp production for the fourth quarter was slightly above that of the third quarter. The anticipated benefit of a slipped vessel shipment from the previous quarter into the fourth quarter was offset by a delayed vessel shipment over the year end due to adverse weather conditions. Pulp unit manufacturing costs were largely consistent with the previous quarter, as increased maintenance spend combined with higher energy usage in the current quarter, primarily due to the aforementioned unplanned outage, was offset by lower chemical costs and improved productivity towards the end of the period.

Operating income in the Company's paper segment at $7.4 million for the fourth quarter of 2017 was up $2.5 million from the third quarter of 2017, largely reflecting a modest increase in paper unit sales realizations, due to higher market-driven US-dollar pricing combined with the 1% weaker Canadian dollar, and, to a lesser extent, an increase in paper shipments, partially offset by higher paper unit manufacturing costs resulting from increases in slush pulp costs (linked to higher Canadian dollar NBSK market pulp prices) in the current quarter.

Global softwood kraft pulp markets are projected to remain well positioned through the first quarter of 2018, with continued strong shipments into Asian markets, particularly China, and sustained demand in other markets. The Company has announced NBSK pulp list price increases of US$10 per tonne to China for January 2018, and two consecutive price increases to North America, each of US$30 per tonne, for February and March 2018. A balanced kraft pulp market is projected to continue into the second quarter of 2018, when many pulp producers have their traditional spring maintenance outages. The BCTMP market is seeing some reduced demand in the first quarter of 2018, which is resulting in downward price pressure. Early 2018 weather related transportation disruptions are projected to result in delayed shipments and modestly higher costs for the first quarter of 2018. The pulp outlook for the remainder of the year is more uncertain given incremental pulp capacity currently projected to come online and the potential for the reinstatement of some import permits for recovered paper in China through 2018.

On February 22, 2018, the Board of Directors declared a quarterly dividend of $0.0625 per share, payable on March 14, 2018 to the shareholders of record on March 7, 2018.

Refer to the Company's annual Management's Discussion and Analysis for further discussion on the Company's results for the fourth quarter of 2017 on page 18.

Conrad A. Pinette
Chairman

Don B. Kayne
President and Chief Executive Officer

Canfor Pulp Products Inc.
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)	**As at December 31, 2017**	As at December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	**$ 76.7**	$ 51.9
Accounts receivable - Trade	**101.5**	75.9
- Other	**17.1**	16.8
Inventories	**165.5**	166.5
Prepaid expenses	**4.2**	5.1
Total current assets	**365.0**	316.2
Property, plant and equipment and intangible assets	**526.7**	520.4
Other long-term assets	**0.5**	0.5
Total assets	**$ 892.2**	$ 837.1
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 161.5**	$ 125.4
Total current liabilities	**161.5**	125.4
Long-term debt (Note 3)	**-**	50.0
Retirement benefit obligations (Note 4)	**85.2**	109.1
Other long-term provisions	**6.5**	6.2
Deferred income taxes, net	**67.6**	61.7
Total liabilities	**$ 320.8**	$ 352.4
EQUITY		
Share capital	**$ 480.9**	$ 491.6
Retained earnings (deficit)	**90.5**	(6.9)
Total equity	**$ 571.4**	$ 484.7
Total liabilities and equity	**$ 892.2**	$ 837.1

Subsequent Event (Note 10)

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

APPROVED BY THE BOARD

Director, S.E. Bracken-Horrocks

Director, C.A. Pinette

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Income

(millions of Canadian dollars, except per share data, unaudited)	3 months ended December 31, **2017**	3 months ended December 31, 2016	12 months ended December 31, **2017**	12 months ended December 31, 2016
Sales	**$ 322.9**	$ 257.8	**$ 1,197.9**	$ 1,101.9
Costs and expenses				
Manufacturing and product costs	**191.7**	173.4	**786.7**	746.8
Freight and other distribution costs	**38.7**	35.1	**155.0**	155.5
Amortization	**18.8**	19.2	**74.4**	73.8
Selling and administration costs	**6.9**	7.2	**27.2**	27.6
	256.1	234.9	**1,043.3**	1,003.7
Operating income	**66.8**	22.9	**154.6**	98.2
Finance expense, net	**(1.9)**	(1.9)	**(7.2)**	(6.6)
Other expense, net	**-**	(5.1)	**(6.5)**	(10.4)
Net income before income taxes	**64.9**	15.9	**140.9**	81.2
Income tax expense (Note 2)	**(19.7)**	(5.8)	**(38.8)**	(23.4)
Net income	**$ 45.2**	$ 10.1	**$ 102.1**	$ 57.8
Net income per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 5)	**$ 0.69**	$ 0.15	**$ 1.55**	$ 0.86

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

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2017**	2016	12 months ended December 31, **2017**	2016
Net income	**$ 45.2**	$ 10.1	**$ 102.1**	$ 57.8
Other comprehensive income (loss)				
Items that will not be recycled through net income:				
Defined benefit plan actuarial gains (losses) (Note 4)	**29.8**	3.5	**25.2**	(15.5)
Income tax recovery (expense) on defined benefit plan actuarial losses/gains (Note 2)	**(7.5)**	(1.0)	**(6.3)**	4.0
	22.3	2.5	**18.9**	(11.5)
Items that may be recycled through net income:				
Change in fair value of available-for-sale financial instruments, net of tax	**-**	(0.2)	**-**	-
Other comprehensive income (loss), net of tax	**22.3**	2.3	**18.9**	(11.5)
Total comprehensive income	**$ 67.5**	$ 12.4	**$ 121.0**	$ 46.3

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2017**	2016	12 months ended December 31, **2017**	2016
Share capital				
Balance at beginning of period	**$ 481.0**	$ 491.6	**$ 491.6**	$ 508.2
Share purchases (Note 5)	**(0.1)**	-	**(10.7)**	(16.6)
Balance at end of period	**$ 480.9**	$ 491.6	**$ 480.9**	$ 491.6
Retained earnings (deficit)				
Balance at beginning of period	**$ 27.1**	$ (15.3)	**$ (6.9)**	$ (28.5)
Net income	**45.2**	10.1	**102.1**	57.8
Defined benefit plan actuarial gains (losses), net of tax	**22.3**	2.5	**18.9**	(11.5)
Dividends declared	**(4.1)**	(4.2)	**(16.5)**	(16.9)
Share purchases (Note 5)	**-**	-	**(7.1)**	(7.8)
Balance at end of period	**$ 90.5**	$ (6.9)	**$ 90.5**	$ (6.9)
Accumulated other comprehensive income				
Balance at beginning of period	**$ -**	$ 0.2	**$ -**	$ -
Change in fair value of available-for-sale financial instruments, net of tax	**-**	(0.2)	**-**	-
Balance at end of period	**$ -**	$ -	**$ -**	$ -
Total equity	**$ 571.4**	$ 484.7	**$ 571.4**	$ 484.7

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

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2017**	3 months ended December 31, 2016	12 months ended December 31, **2017**	12 months ended December 31, 2016
Cash generated from (used in):				
Operating activities				
Net income	**$ 45.2**	$ 10.1	**$ 102.1**	$ 57.8
Items not affecting cash:				
Amortization	**18.8**	19.2	**74.4**	73.8
Income tax expense	**19.7**	5.8	**38.8**	23.4
Employee future benefits	**0.4**	1.4	**4.3**	5.1
Finance expense, net	**1.9**	1.9	**7.2**	6.6
Write-down of advances to Licella (Note 8)	**-**	7.0	**-**	7.0
Other, net	**1.3**	0.8	**0.4**	(0.8)
Defined benefit plan contributions, net	**(2.2)**	(2.1)	**(7.0)**	(8.3)
Income taxes paid, net	**(1.5)**	(0.8)	**(19.1)**	(33.6)
	83.6	43.3	**201.1**	131.0
Net change in non-cash working capital (Note 6)	**(5.2)**	3.8	**(6.4)**	19.0
	78.4	47.1	**194.7**	150.0
Financing activities				
Repayment of long-term debt (Note 3)	**(50.0)**	-	**(50.0)**	-
Finance expenses paid	**(1.0)**	(1.1)	**(3.3)**	(3.2)
Dividends paid	**(4.1)**	(4.2)	**(16.5)**	(16.9)
Share purchases (Note 5)	**-**	-	**(17.7)**	(24.7)
	(55.1)	(5.3)	**(87.5)**	(44.8)
Investing activities				
Additions to property, plant and equipment and intangible assets, net	**(28.1)**	(18.3)	**(83.1)**	(64.0)
Advances to Licella (Note 8)	**-**	(3.5)	**-**	(7.0)
Other, net	**0.2**	-	**0.7**	0.2
	(27.9)	(21.8)	**(82.4)**	(70.8)
Increase (decrease) in cash and cash equivalents*	**(4.6)**	20.0	**24.8**	34.4
Cash and cash equivalents at beginning of period*	**81.3**	31.9	**51.9**	17.5
Cash and cash equivalents at end of period*	**$ 76.7**	$ 51.9	**$ 76.7**	$ 51.9

*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") include the accounts of Canfor Pulp Products Inc. ("CPPI") and its subsidiary entities, hereinafter referred to as "CPPI" or "the Company." At December 31, 2017, and February 22, 2018, Canfor Corporation ("Canfor") held a 54.8% interest in CPPI, an increase of 1.2% from December 31, 2016 as a result of share purchases in 2017 (Note 5).

These financial statements do not include all of the disclosures required by International Financial Reporting Standards ("IFRS") for interim and 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 twelve months ended December 31, 2017, available at www.canfor.com or www.sedar.com.

These financial statements were authorized for issue by the Company's Board of Directors on February 22, 2018.

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

Accounting Standards Issued and Not Applied

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, *Revenue from Contracts with Customers*, which will supersede IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company has performed an assessment of the impact of the new standard, and has determined that adoption of this standard will have no significant impact on the Company's financial statements.

In July 2014, the IASB issued IFRS 9, *Financial Instruments*. The required adoption date for IFRS 9 is January 1, 2018. The Company has performed an assessment of the impact of the new standard, and has determined that adoption of this standard will have no significant impact on the Company's financial statements.

In January 2016, the IASB issued IFRS 16, *Leases*, which will supersede IAS 17, *Leases* and related interpretations. The required adoption date for IFRS 16 is January 1, 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces straight-line operating lease expense with a depreciation expense for right-of-use assets and interest expense on lease liabilities.

It is expected that IFRS 16 will have an impact on the Company's financial statements with recognition of new assets and liabilities for its operating leases. The Company is still in the process of assessing the quantitative impact on its financial statements of this new standard. The Company's future minimum lease payments, on an undiscounted basis, under non-cancellable operating leases at December 31, 2017 are $1.2 million.

2. Income Taxes

	3 months ended December 31,		12 months ended December 31,	
(millions of Canadian dollars, unaudited)	**2017**	2016	**2017**	2016
Current	**$ (19.2)**	$ (8.1)	**$ (39.3)**	$ (25.9)
Deferred	**(0.5)**	2.3	**0.5**	2.5
Income tax expense	**$ (19.7)**	$ (5.8)	**$ (38.8)**	$ (23.4)

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 December 31, **2017**	3 months ended December 31, 2016	12 months ended December 31, **2017**	12 months ended December 31, 2016
Income tax expense at statutory rate of 26.0%	**$ (16.8)**	$ (4.1)	**$ (36.6)**	$ (21.1)
Add (deduct):				
Permanent difference from capital gains and other non-deductible items	**(0.1)**	(1.8)	**(0.1)**	(1.8)
Entities with different income tax rates and other tax adjustments	**-**	0.1	**0.7**	(0.5)
Change in substantively enacted tax legislation	**(2.8)**	-	**(2.8)**	-
Income tax expense	**$ (19.7)**	$ (5.8)	**$ (38.8)**	$ (23.4)

In the fourth quarter of 2017, the Provincial Government of British Columbia passed legislation increasing the provincial corporate tax rate from 11% to 12% effective January 1, 2018. A $2.8 million increase to income tax expense was recorded in net income in the fourth quarter of 2017 to record the impact on deferred taxes, with an additional $0.3 million being recorded in other comprehensive income (loss) as an income tax recovery on defined benefit plan actuarial losses.

In addition, a tax expense of $7.8 million, before the tax rate adjustment, in relation to actuarial gains on the defined benefit plans (three months ended December 31, 2016 - expense of $1.0 million) was recorded in other comprehensive income (loss) for the three months ended December 31, 2017. For the twelve months ended December 31, 2017, a tax expense of $6.6 million, before the tax rate adjustment, was recorded in other comprehensive income (loss) (twelve months ended December 31, 2016 - recovery of $4.0 million on actuarial losses).

3. Long-Term Debt

On December 29, 2017, the Company repaid the full principal balance of its term loan of $50.0 million. Prior to repayment, the interest rate on the term loan was based on the lenders' Canadian prime rate or bankers' acceptance rate in the year of payment.

4. Employee Future Benefits

The Company, in participation with Canfor, has several funded and unfunded defined benefit pension plans, defined contribution plans, and other non-pension post-retirement benefit plans that provide benefits to substantially all salaried employees and certain hourly employees. The defined benefit pension plans are based on years of service and final average salary. CPPI's other non-pension post-retirement benefit plans are non-contributory and include a range of health care and other benefits.

Annuity contracts

In the three months and twelve months ended December 31, 2017, the Company purchased $19.3 million and $37.3 million, respectively, of buy-in annuities (three and twelve months ended December 31, 2016 - $33.7 million) through its defined benefit pension plans, increasing total annuities purchased to $77.1 million (December 31, 2016 - $39.8 million). Future cash flows from the annuities will match the amount and timing of benefits payable under the plans, substantially mitigating the exposure to future volatility in the related pension obligations. In the three and twelve months ended December 31, 2017, transaction costs of $0.5 million and $1.6 million, respectively, (three and twelve months ended December 31, 2016 - $3.6 million) related to the purchase were recognized in other comprehensive income (loss), principally reflecting the difference between the annuity rate compared to the discount rate used to value the obligations on a going concern basis.

Voluntary Retiree Buyout Program

In October 2017, certain non-pension post-retirement benefit plan members of the Company were given an offer to receive lump-sum payment in exchange for settlement of their future non-pension post-retirement benefit obligations under the Voluntary Retiree Buyout Program ("the Program"). Acceptance of the offer constitutes an irrevocable election to terminate future benefit obligations by plan members, and as such, settlement was recorded at the time of election by members. The deadline for elections made under the Program was October 31, 2017, and the resulting payments were made from November 2017 through January 2018. Under the program, $1.3 million of non-pension post-retirement benefit obligations were settled and derecognized in the fourth quarter of 2017, resulting in a settlement adjustment of $0.5 million, which was included in operating income. For the twelve months ended December 31, 2017, $0.5 million was paid out under the Program, with an additional $0.3 million paid in January 2018.

Medical Services Plan changes

On November 2, 2017, the Legislative Assembly of British Columbia enacted the *Budget Measures Implementation Act, 2017,* which included a 50% reduction in Medical Services Plan ("MSP") premiums effective January 1, 2018. This change in legislation was recognized in actuarial financial assumptions in the fourth quarter of 2017, and resulted in a $28.5 million pre-tax reduction of the non-pension post-retirement benefit obligation and a corresponding gain recognized through other comprehensive income (loss).

In addition, in measuring the accrued benefit obligation at December 31, 2017, the MSP growth trend rate actuarial financial assumption was reduced from 4.5% to 2.0% resulting in an additional $9.3 million pre-tax gain recognized through other comprehensive income (loss) in the fourth quarter of 2017.

Significant assumptions

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

	December 31, 2017		December 31, 2016	
	Defined Benefit Pension Plans	**Other Benefit Plans**	Defined Benefit Pension Plans	Other Benefit Plans
Discount rate	**3.4 %**	**3.4%**	3.9%	3.9%
Rate of compensation increases	**3.0 %**	**n/a**	3.0%	n/a
Initial medical cost trend rate	**n/a**	**6.5%**	n/a	7.0%
Ultimate medical cost trend rate	**n/a**	**4.5%**	n/a	4.5%
Year ultimate rate is reached	**n/a**	**2022**	n/a	2022

5. Earnings per Share and Normal Course Issuer Bid

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

	3 months ended December 31,		12 months ended December 31,	
	2017	2016	**2017**	2016
Weighted average number of common shares	**65,258,751**	66,699,368	**65,887,110**	67,519,888

On March 7, 2017, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 3,332,038 common shares or approximately 5% of its issued and outstanding common shares as of March 1, 2017. The renewed normal course issuer bid is set to expire on March 6, 2018. During the fourth quarter of 2017, CPPI purchased 7,575 common shares for $0.1 million (an average price of $13.20 per common share), which was paid subsequent to year-end. For the twelve months ended December 31, 2017, the Company purchased 1,448,109 common shares for $17.8 million (an average price of $12.29 per common share), of which $10.7 million was charged to share capital and $7.1 million was charged to retained earnings. As at December 31, 2017 there were 65,251,259 common shares of the Company outstanding, based on trade date, and Canfor's ownership interest in CPPI was 54.8%.

As at February 22, 2018, based on trade date, there were 65,250,759 common shares of the Company outstanding, as a result of share purchases subsequent to year end, and Canfor's ownership interest in CPPI remained 54.8%.

6. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2017**	3 months ended December 31, 2016	12 months ended December 31, **2017**	12 months ended December 31, 2016
Accounts receivable	**$ (15.8)**	$ 8.8	**$ (20.5)**	$ 24.2
Inventories	**(4.3)**	(12.6)	**0.6**	(2.9)
Prepaid expenses	**4.2**	6.2	**0.9**	2.5
Accounts payable and accrued liabilities	**10.7**	1.4	**12.6**	(4.8)
Net decrease (increase) in non-cash working capital	**$ (5.2)**	$ 3.8	**$ (6.4)**	$ 19.0

7. Segment Information

The Company has two reportable segments, pulp and paper, which operate as separate business units and represent separate product lines.

Sales between the pulp and paper segments are accounted for at prices that approximate fair value. These include sales of slush pulp from the pulp segment to the paper segment.

Information regarding the operations of each reportable segment is included in the following table.

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
3 months ended December 31, 2017					
Sales to external customers	**$ 277.3**	**$ 45.6**	**$ -**	**$ -**	**$ 322.9**
Sales to other segments	**25.8**	**-**	**-**	**(25.8)**	**-**
Operating income (loss)	**62.4**	**7.4**	**(3.0)**	**-**	**66.8**
Amortization	**17.7**	**1.0**	**0.1**	**-**	**18.8**
Capital expenditures[1]	**26.8**	**1.3**	**-**	**-**	**28.1**
3 months ended December 31, 2016					
Sales to external customers	$ 215.9	$ 41.8	$ 0.1	$ -	$ 257.8
Sales to other segments	21.9	-	-	(21.9)	-
Operating income (loss)	18.1	8.1	(3.3)	-	22.9
Amortization	18.1	1.0	0.1	-	19.2
Capital expenditures[1]	16.9	0.4	1.0	-	18.3
12 months ended December 31, 2017					
Sales to external customers	**$ 1,024.5**	**$ 173.0**	**$ 0.4**	**$ -**	**$ 1,197.9**
Sales to other segments	**92.0**	**-**	**-**	**(92.0)**	**-**
Operating income (loss)	**140.5**	**26.0**	**(11.9)**	**-**	**154.6**
Amortization	**70.4**	**3.9**	**0.1**	**-**	**74.4**
Capital expenditures[1]	**81.3**	**1.8**	**-**	**-**	**83.1**
Identifiable assets	**751.3**	**55.2**	**85.7**	**-**	**892.2**
12 months ended December 31, 2016					
Sales to external customers	$ 924.2	$ 176.1	$ 1.6	$ -	$ 1,101.9
Sales to other segments	82.8	-	-	(82.8)	-
Operating income (loss)	79.6	29.7	(11.1)	-	98.2
Amortization	69.9	3.8	0.1	-	73.8
Capital expenditures[1]	60.9	1.7	1.4	-	64.0
Identifiable assets	719.9	55.6	61.6	-	837.1

[1]Capital expenditures represent cash paid for capital assets during the periods and include capital expenditures that were partially financed by government grants.

8. Licella Pulp Joint Venture

On May 27, 2016, CPPI and Licella Fibre Fuel Pty Ltd. ("Licella") agreed to form a joint venture under the name Licella Pulp Joint Venture to investigate opportunities to integrate Licella's Catalytic Hydrothermal Reactor platform into CPPI's pulp mills to economically convert biomass into next generation biofuels and biochemicals. Licella is a subsidiary of Ignite Energy Resources Ltd. ("IER") an Australian energy technology development company.

Under IFRS 11, *Joint Arrangements*, the joint venture is classified as a joint operation and CPPI will recognize its assets, liabilities and transactions, including its share of those incurred jointly, in its consolidated financial statements. For the three months ended December 31, 2017, the Company's share of the joint venture's expenses was $0.3 million (three months ended December 31, 2016 - $0.2 million), which have been recognized in manufacturing and product costs. For the twelve months ended December 31, 2017, the Company's share of the joint venture's expenses was $1.1 million (twelve months ended December 31, 2016 - $0.6 million). The Company is required to contribute the first $20.0 million of any funding requirements, including cash and non-cash contributions, to the joint venture, of which $1.7 million has been contributed as at December 31, 2017.

In conjunction with the joint venture agreement and CPPI's commitment to innovation and the development of potentially transforming technology, CPPI provided a convertible credit facility to IER, the parent company of Licella, which matures on June 21, 2019. The advances on this credit facility are convertible, at CPPI's option, into common shares of IER.

With regards to the convertible credit facility, during 2016, CPPI advanced $7.0 million to Licella and exercised its option to convert $3.5 million of the amount advanced into common shares of IER. Due to the inherent nature of this type of innovation and technology development, CPPI considers these advances to be substantially research and development in nature. As a result, in 2016, CPPI recognized losses of $7.0 million in other income (expense). This reflects the Company's consideration of the intrinsic risk associated with these advances. No advances were made by CPPI in 2017.

9. Contingencies

In the ordinary course of its business activities, the Company may be subject to, or enter into, legal actions and claims with customers, unions, suppliers or others. During the fourth quarter of 2017, the Company settled an outstanding claim with one of its suppliers and recognized a recovery of $2.8 million in manufacturing and products costs.

In circumstances where the Company is not able to determine the outcome of a legal action and claim with certainty, no amount is recognized or accrued in the consolidated financial statements. Although there can be no assurance as to the disposition of a legal action and claim, it is the opinion of the Company's management, based upon the information available at this time, that the expected outcome of a legal action and claim, individually or in aggregate, is unlikely to have a material adverse effect on the operating results and financial condition of the Company as a whole.

10. Subsequent Event

On February 22, 2018, the Board of Directors declared a quarterly dividend of $0.0625 per share, payable on March 14, 2018, to shareholders of record on March 7, 2018.