



2021

QUARTER TWO

INTERIM REPORT

FOR THE THREE MONTHS ENDED JUNE 30, 2021

CANFOR PULP PRODUCTS INC.

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To Our Shareholders

Canfor Pulp Products Inc. ("The Company" or "CPPI") reported second quarter 2021 results:

Overview

- Q2 2021 operating income of \$51 million
- Net income of \$36.2 million, or \$0.55 per share
- Net debt of \$14 million and net debt to capitalization of 2.3% at June 30, 2021

Financial Results

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

(millions of Canadian dollars, except per share amounts)	Q2 2021	Q1 2021	YTD 2021	Q2 2020	YTD 2020
Sales	\$ 334.3	\$ 262.4	\$ 596.7	\$ 250.7	\$ 526.3
Reported operating income before amortization	\$ 72.9	\$ 25.7	\$ 98.6	\$ 13.3	\$ 41.0
Reported operating income (loss)	\$ 51.0	\$ 4.9	\$ 55.9	\$ (6.3)	\$ (0.2)
Adjusted operating income before amortization ¹	\$ 72.9	\$ 23.5	\$ 96.4	\$ 21.5	\$ 38.5
Adjusted operating income (loss) ¹	\$ 51.0	\$ 2.7	\$ 53.7	\$ 1.9	\$ (2.7)
Net income (loss)	\$ 36.2	\$ 8.4	\$ 44.6	\$ (1.1)	\$ 5.9
Net income (loss) per share, basic and diluted	\$ 0.55	\$ 0.13	\$ 0.68	\$ (0.02)	\$ 0.09

¹ Adjusted for inventory write-downs and recoveries (\$2.2 million recovery in Q1 2021 and YTD 2021, \$8.2 million write-down in Q2 2020, \$2.5 million net recovery in YTD 2020).

The Company reported operating income of \$51.0 million for the second quarter of 2021, up \$46.1 million from the operating income of \$4.9 million reported for the first quarter of 2021, in large part reflecting materially higher Northern Bleached Softwood Kraft ("NBSK") pulp unit sales realizations, and to a lesser extent, an 8% increase in shipments following transportation disruptions experienced in the first quarter of 2021. These factors more than offset the impact of a 3% stronger Canadian dollar and market-related fibre cost increases in the current quarter.

Following the sharp improvement in market fundamentals earlier in the year, global pulp market conditions were more stable in the second quarter. Demand was solid through the first part of the current quarter but a moderation in purchasing activity from China saw some downward pressure on prices in that region, particularly in June.

The upward trend in NBSK US-dollar pulp list prices to China from the first quarter continued in April, with prices reaching a near-record high of US\$995 per tonne in April, before declining in May and June, to end the quarter at US\$910 per tonne. As a result, the current quarter US-dollar NBSK pulp list price to China averaged US\$962 per tonne, up US\$79 per tonne, or 9%, compared to the previous quarter. Prices to North America (before discounts) saw sharp increases in the current quarter, largely in response to the uplift in China prices earlier in the year, up US\$296 per tonne, or 23%, from the previous quarter, to US\$1,598 per tonne.

As a result of the higher prices as well as a favourable timing lag in shipments (versus orders), NBSK pulp unit sales realizations recorded a substantial increase in the current quarter, which significantly outweighed the stronger Canadian dollar. Average Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") unit sales realizations showed more modest gains from the previous quarter, as positive trends in BCTMP US-dollar pricing early in the quarter more than offset the effects of a sharp decline in demand and prices as the quarter progressed, particularly for the printing and writing segment.

Pulp production was 290,000 tonnes for the second quarter of 2021, broadly in line with the previous quarter, principally reflecting improved operating rates at the Company's Northwood ("Northwood") and Prince George ("Prince George") NBSK pulp mills throughout much of the current quarter, largely offsetting a decrease in operating days associated with the completion of a scheduled maintenance outage at the Company's Intercontinental NBSK pulp mill (approximately 15,000 tonnes).

Pulp shipments were up 20,000 tonnes, or 8%, from the previous quarter, mainly due to the uptick in global pulp demand early in the current quarter, combined with increased vessel shipments in the current period, as global transportation challenges experienced in early 2021 eased somewhat in April and May 2021, before coming under pressure again in June.

Pulp unit manufacturing costs saw a slight increase compared to the previous quarter as increased fibre costs more than offset the benefits of higher production and seasonally lower energy prices and usage in the current quarter. The higher fibre costs reflected increased market prices for delivered sawmill residual chips (linked to Canadian dollar NBSK pulp sales realizations) combined with a seasonal improvement in chip quality, offset by a lower proportion of higher-cost whole log chips in the period.

Operating income in the Company's paper segment was \$0.9 million, down \$3.3 million from the previous quarter, as increased slush pulp costs linked to higher Canadian dollar NBSK market pulp prices more than offset improved paper unit sales realizations.

Looking forward, global softwood kraft pulp markets are projected to soften somewhat through the third quarter of 2021, driven by the current tepid Chinese demand and above-average global pulp inventory levels combined with the traditionally slower summer months. Weakness experienced in the high yield BCTMP markets, especially in Asia, late in the second quarter is anticipated to continue early into the third quarter of 2021, before a projected stabilization in prices through the balance of the period.

The recent wave of extreme heat across Western Canada has put further pressure on an already constrained global logistics network. As a result, early in the third quarter of 2021, the Company has experienced limited and intermittent rail service to and from its pulp mills. While the Company continues to monitor and adapt to the unfolding logistic situation, it anticipates that these transportation disruptions will result in lower projected shipment volumes for the third quarter of 2021.

Results in the third quarter of 2021 will also reflect the impact of scheduled maintenance outages at the Company's Prince George and Taylor BCTMP ("Taylor") pulp mills, as well as incremental downtime at Northwood and Taylor reflecting both the aforementioned weather-related rail disruptions and pulp mill inventories nearing capacity as well as, in the case of Northwood, digester-related operational upsets in July. Combined, the currently anticipated third quarter downtime is projected to reduce NBSK pulp production by approximately 30,000 tonnes and BCTMP production by an estimated 12,000 tonnes.

Bleached kraft paper demand in North America is currently anticipated to show continued strength through the third quarter of 2021, largely driven by ongoing tight supply in the region. Offshore bleached kraft paper markets are also anticipated to be strong over the same period. A maintenance outage is currently planned at the Company's Prince George paper machine in September 2021 with a projected 5,000 tonnes of reduced paper production.



The Honourable John R. Baird
Chairman



Don B. Kayne
Chief Executive Officer

Canfor Pulp Products Inc.
Second Quarter 2021
Management's Discussion and Analysis

This interim Management's Discussion and Analysis ("MD&A") provides a review of Canfor Pulp Products Inc.'s ("CPPI" or "the Company") financial performance for the quarter ended June 30, 2021 relative to the quarters ended March 31, 2021 and June 30, 2020, and the financial position of the Company at June 30, 2021. It should be read in conjunction with CPPI's unaudited interim consolidated financial statements and accompanying notes for the quarters ended, June 30, 2021 and 2020, as well as the 2020 annual MD&A and the 2020 audited consolidated financial statements and notes thereto, which are included in CPPI's Annual Report for the year ended December 31, 2020 (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 which CPPI considers to be a relevant indicator for measuring trends in the Company's performance and its ability to generate funds to meet its debt service and capital expenditure requirements, and to pay dividends. Reference is also made to Adjusted Net Income (Loss) (calculated as Net Income (Loss) less specific items affecting comparability with prior periods) and Adjusted Net Income (Loss) per Share (calculated as Adjusted Net Income (Loss) divided by the weighted average number of shares outstanding during the period). Operating Income (Loss) before Amortization, 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 or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, CPPI's Operating Income (Loss) before Amortization, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of Operating Income (Loss) before Amortization to Operating Income (Loss) and Adjusted 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 second quarter of 2021.

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 CPPI.

All financial references are in millions of Canadian dollars unless otherwise noted. The information in this report is as at July 29, 2021.

Forward Looking Statements

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 the Company assumes no obligation to update such information to reflect later events or developments, except as required by law.

SECOND QUARTER 2021 OVERVIEW

Selected Financial Information and Statistics

(millions of Canadian dollars, except ratios)	Q2 2021	Q1 2021	YTD 2021	Q2 2020	YTD 2020
Operating income (loss) by segment:					
Pulp	\$ 53.6	\$ 3.7	\$ 57.3	\$ (12.0)	\$ (10.9)
Paper	\$ 0.9	\$ 4.2	\$ 5.1	\$ 7.4	\$ 14.2
Unallocated	\$ (3.5)	\$ (3.0)	\$ (6.5)	\$ (1.7)	\$ (3.5)
Total operating income (loss)	\$ 51.0	\$ 4.9	\$ 55.9	\$ (6.3)	\$ (0.2)
Add: Amortization ¹	\$ 21.9	\$ 20.8	\$ 42.7	\$ 19.6	\$ 41.2
Total operating income before amortization	\$ 72.9	\$ 25.7	\$ 98.6	\$ 13.3	\$ 41.0
Add (deduct):					
Working capital movements	\$ (11.0)	\$ (15.2)	\$ (26.2)	\$ 42.8	\$ 20.2
Defined benefit plan contributions, net	\$ (0.9)	\$ (1.1)	\$ (2.0)	\$ (1.0)	\$ (2.4)
Income taxes received (paid)	\$ 0.3	\$ (0.3)	\$ -	\$ -	\$ 29.3
Other operating cash flows, net	\$ 0.9	\$ 8.2	\$ 9.1	\$ 6.8	\$ 13.3
Cash from operating activities	\$ 62.2	\$ 17.3	\$ 79.5	\$ 61.9	\$ 101.4
Add (deduct):					
Dividends paid	\$ -	\$ -	\$ -	\$ -	\$ (4.1)
Capital additions, net	\$ (15.4)	\$ (33.0)	\$ (48.4)	\$ (12.2)	\$ (31.0)
Other, net	\$ (0.9)	\$ (0.9)	\$ (1.8)	\$ (0.7)	\$ (2.3)
Change in cash / operating loans	\$ 45.9	\$ (16.6)	\$ 29.3	\$ 49.0	\$ 64.0
ROIC – Consolidated period-to-date ²	6.6%	1.7%	8.4%	0.4%	1.3%
Average exchange rate (US\$ per C\$1.00)³	\$ 0.814	\$ 0.790	\$ 0.802	\$ 0.722	\$ 0.733

¹ Amortization includes amortization of certain capitalized major maintenance costs.

² Consolidated Return on Invested Capital ("ROIC") is equal to operating income (loss) plus other income (expense), 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 and deferred taxes.

³ Source – Bank of Canada (monthly average rate for the period).

The Company reported operating income of \$51.0 million for the second quarter of 2021, up \$46.1 million from the operating income of \$4.9 million reported for the first quarter of 2021, in large part reflecting materially higher Northern Bleached Softwood Kraft ("NBSK") pulp unit sales realizations, and to a lesser extent, an 8% increase in shipments following transportation disruptions experienced in the first quarter of 2021. These factors more than offset the impact of a 2 cent or 3% stronger Canadian dollar and market-related fibre cost increases in the current quarter.

Compared to the second quarter of 2020, operating results increased \$57.3 million as substantially higher NBSK pulp US-dollar list pricing and a 12% increase in pulp production, largely reflecting the absence of coronavirus ("COVID-19") and market-related downtime in the current period, significantly outweighing a 9 cent, or 13%, stronger Canadian dollar in the current quarter.

OPERATING RESULTS BY BUSINESS SEGMENT

Pulp

Selected Financial Information and Statistics – Pulp

(millions of Canadian dollars, unless otherwise noted)	Q2 2021	Q1 2021	YTD 2021	Q2 2020	YTD 2020
Sales	\$ 296.9	\$ 219.8	\$ 516.7	\$ 205.8	\$ 438.9
Operating income before amortization ⁴	\$ 74.8	\$ 23.8	\$ 98.6	\$ 6.9	\$ 28.9
Operating income (loss)	\$ 53.6	\$ 3.7	\$ 57.3	\$ (12.0)	\$ (10.9)
Inventory write-downs (recovery)	\$ -	\$ (2.2)	\$ (2.2)	\$ 8.2	\$ (2.5)
Adjusted operating income (loss)	\$ 53.6	\$ 1.5	\$ 55.1	\$ (3.8)	\$ (13.4)
Average NBSK pulp price delivered to China – US\$ ⁵	\$ 962	\$ 883	\$ 922	\$ 572	\$ 573
Average NBSK pulp price delivered to China – Cdn\$ ⁵	\$ 1,181	\$ 1,118	\$ 1,149	\$ 793	\$ 782
Production – pulp (000 mt)	290	292	582	260	558
Shipments – pulp (000 mt)	285	265	550	248	538

⁴ Amortization includes amortization of certain capitalized major maintenance costs.

⁵ 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.

Markets

Following the sharp improvement in market fundamentals earlier in the year, global pulp market conditions were more stable in the second quarter. Demand was solid through the first part of the current quarter but a moderation in purchasing activity from China saw some downward pressure on prices in that region, particularly in June.

The upward trend in NBSK US-dollar pulp list prices to China from the first quarter continued in April, with prices reaching a near-record high of US\$995 per tonne in April, before declining in May and June, to end the quarter at US\$910 per tonne. As a result, the current quarter US-dollar NBSK pulp list price to China averaged US\$962 per tonne, up US\$79 per tonne, or 9%, compared to the previous quarter and up US\$390 per tonne, or 68%, compared to the second quarter of 2020. Prices to North America (before discounts) saw sharp increases in the current quarter, largely in response to the uplift in China prices earlier in the year, up US\$296 per tonne, or 23%, from the previous quarter, and up US\$440 per tonne, or 38%, compared to the same period in the prior year, to US\$1,598 per tonne.

Despite stable global market fundamentals, global softwood pulp producer inventories at the end of May 2021 were above the balanced range at 38 days⁶ of supply, slightly higher than 37 days of supply at the end of March 2021 (market conditions are generally considered balanced when inventories are in the 29-36 days of supply range).

Sales

The Company's pulp shipments for the second quarter of 2021 were 285,000 tonnes, up 20,000 tonnes, or 8%, from the previous quarter and up 37,000 tonnes, or 15%, from the second quarter of 2020. Increased shipments in the current quarter mainly reflected the uptick in global pulp demand early in the current quarter, combined with increased vessel shipments in the current period, as global transportation challenges experienced in early 2021 eased somewhat in April and May 2021, before coming under pressure again in June. Compared to the second quarter of 2020, the increase in pulp shipments primarily reflected the 12% increase in pulp production, tied principally to a three-week COVID-19 related curtailment at the Company's Northwood ("Northwood") NBSK pulp mill in the comparative period, coupled with the aforementioned timing-related shipment uplift during the current quarter.

The Company's NBSK pulp unit sales realizations saw a substantial increase in the current quarter compared to both comparative periods, as an uptick in demand and pricing late in the first quarter and early in the current quarter, in combination with a favourable timing lag in shipments (versus orders), significantly outweighed the stronger Canadian dollar in the current period.

⁶ 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").

Average Bleached Chemi-Thermo Mechanical Pulp (“BCTMP”) unit sales realizations showed more modest gains from the previous quarter and slight increases compared to the second quarter of 2020, as positive trends in BCTMP US-dollar pricing early in the quarter more than offset the effects of a sharp decline in demand and prices as the quarter progressed, particularly for the printing and writing segment.

Energy revenues were down compared to the first quarter of 2021, largely due to seasonally lower energy prices, and broadly in line with the second quarter of 2020.

Operations

Pulp production was 290,000 tonnes for the second quarter of 2021, broadly in line with the previous quarter, principally reflecting improved operating rates at the Company’s Northwood and Prince George (“Prince George”) NBSK pulp mills throughout much of the current quarter, largely offsetting a decrease in operating days associated with the completion of a scheduled maintenance outage at the Company’s Intercontinental (“Intercon”) NBSK pulp mill (approximately 15,000 tonnes). In the first quarter of 2021, pulp production was principally impacted by the completion in mid-January of Northwood’s recovery boiler number five (“RB5”) capital-related downtime (approximately 10,000 tonnes), combined with several operational issues experienced at the Prince George pulp mill.

Compared to the second quarter of 2020, pulp production was up 30,000 tonnes, or 12%, largely as a result of the three-week COVID-19 related curtailment at Northwood in the comparative period (which reduced pulp production by 35,000 tonnes), along with increased productivity in the current quarter, which more than offset the impact of the planned maintenance downtime at Intercon in April.

Pulp unit manufacturing costs saw a slight increase compared to the previous quarter as increased fibre costs more than offset the benefits of higher production and seasonally lower energy prices and usage in the current quarter. The higher fibre costs reflected increased market prices for delivered sawmill residual chips (linked to Canadian dollar NBSK pulp sales realizations) combined with a seasonal improvement in chip quality, offset by a lower proportion of higher-cost whole log chips in the period.

Compared to the second quarter of 2020, pulp unit manufacturing costs were largely unchanged, as lower fibre costs and improved operating rates were counterbalanced by increased spend on maintenance and supplies (timing-related) in the current period. Fibre costs were down compared to the second quarter of 2020, primarily driven by an increased proportion of lower-cost sawmill residual chips, attributable mostly to higher operating rates at Canfor’s sawmills.

Paper

Selected Financial Information and Statistics – Paper

(millions of Canadian dollars unless otherwise noted)	Q2	Q1	YTD	Q2	YTD
	2021	2021	2021	2020	2020
Sales	\$ 37.4	\$ 42.6	\$ 80.0	\$ 44.9	\$ 87.4
Operating income before amortization ⁷	\$ 1.6	\$ 4.9	\$ 6.5	\$ 8.1	\$ 15.6
Operating income	\$ 0.9	\$ 4.2	\$ 5.1	\$ 7.4	\$ 14.2
Production – paper (000 mt)	34	30	64	33	63
Shipments – paper (000 mt)	30	37	67	36	70

⁷ Amortization includes amortization of certain capitalized major maintenance costs.

Markets

Global kraft paper market demand, especially in North American and European markets, was solid through the second quarter of 2021.

Sales

The Company’s paper shipments in the second quarter of 2021 were 30,000 tonnes, down 7,000 tonnes from the prior quarter and down 6,000 tonnes from the second quarter of 2020, largely due to the timing of shipments quarter-over-quarter.

Paper unit sales realizations in the second quarter of 2021 saw a moderate increase compared to the previous quarter, primarily reflecting higher market-driven US-dollar pricing in North American, offset in part by the 3% stronger Canadian dollar. Compared to the second quarter of 2020, paper unit sales realizations declined slightly, as a significant increase in US-dollar pricing quarter-over-quarter was more than offset by the 13% stronger Canadian dollar in the current period.

Operations

Paper production for the second quarter of 2021 was 34,000 tonnes, up 4,000 tonnes from the previous quarter, largely due to improved productivity in the current quarter following several operational challenges in the first quarter of 2021. Paper production was in line with the second quarter of 2020.

Paper unit manufacturing costs were significantly higher than the first quarter of 2021, largely due to notably higher slush pulp costs (tied to increased Canadian dollar NBSK pulp unit sales realizations), offset in part by the benefit of increased production in the current quarter combined with reduced spend on operating supplies (timing-related). Compared to the second quarter of 2020, paper unit manufacturing costs also saw a substantial increase primarily driven by higher slush pulp costs, with conversion costs comparable quarter-over-quarter.

Unallocated Items

Selected Financial Information

(millions of Canadian dollars)	Q2 2021	Q1 2021	YTD 2021	Q2 2020	YTD 2020
Corporate costs	\$ (3.5)	\$ (3.0)	\$ (6.5)	\$ (1.7)	\$ (3.5)
Finance expense, net	\$ (1.2)	\$ (1.2)	\$ (2.4)	\$ (1.3)	\$ (2.9)
Other income (expense), net	\$ (0.1)	\$ 7.7	\$ 7.6	\$ 6.2	\$ 11.1

Corporate costs were \$3.5 million for the second quarter of 2021, up \$0.5 million from the previous quarter and up \$1.8 million from the second quarter of 2020 largely reflecting increased head office and general administrative expenses in the current period.

Net finance expense for the second quarter of 2021 was \$1.2 million, broadly in line with the previous quarter and down \$0.1 million from the second quarter of 2020. The decrease in finance expense compared to the second quarter of 2020 principally related to a lower interest expense associated with the Company's term loan.

Other income, net, in both comparative periods primarily reflected the receipt of insurance proceeds related to unscheduled downtime at Northwood in 2018 to enable the necessary tube replacements to RB5.

Other Comprehensive Income (Loss)

In the second quarter of 2021, the Company recorded a loss of \$2.9 million (before tax) related to changes in the valuation of the Company's defined benefit plans (comprised of defined benefit pension plans as well as other benefit plans), mostly reflecting a 0.2% decrease in the discount rate used to value the defined benefit plans, partially offset by a greater than anticipated return on plan assets. This compared to a gain of \$6.6 million (before tax) in the first quarter of 2021, largely reflecting a 0.5% increase in the discount rate used to value the defined benefit plans, partially offset by a lower than anticipated return on plan assets. In the second quarter of 2020, the Company recorded a loss of \$6.5 million (before tax) largely reflecting a 0.7% decrease in the discount rate used to value the defined benefit plans, partially offset by a return on plan assets greater than the discount rate.

SUMMARY OF FINANCIAL POSITION

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

(millions of Canadian dollars, except for ratios)	Q2	Q1	YTD	Q2	YTD
	2021	2021	2021	2020	2020
Increase (decrease) in cash and cash equivalents	\$ 30.9	\$ (1.6)	\$ 29.3	\$ 38.0	\$ 50.0
Operating activities	\$ 62.2	\$ 17.3	\$ 79.5	\$ 61.9	\$ 101.4
Financing activities	\$ (15.9)	\$ 14.1	\$ (1.8)	\$ (11.8)	\$ (20.6)
Investing activities	\$ (15.4)	\$ (33.0)	\$ (48.4)	\$ (12.1)	\$ (30.8)
Ratio of current assets to current liabilities		2.2 : 1	2.4 : 1		2.5 : 1
Net debt (cash) to capitalization ⁸		9.9%	2.3%		(1.1)%
ROIC – Consolidated period-to-date	6.6%	1.7%	8.4%	0.4%	1.3%

⁸ 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 cash plus total equity.

Operating Activities

Cash generated from operating activities in the second quarter of 2021 was \$62.2 million, up \$44.9 million from the first quarter of 2021 and broadly in line with the second quarter of 2020. The increase in operating cash flows compared to the first quarter of 2021 largely reflected improved cash earnings in the current period, and, to a lesser extent, higher accounts payable and accruals liabilities (timing-related) at the end of the current quarter, offset, in part, by an increase in finished pulp inventory. Compared to the second quarter of 2020, operating cash flows quarter-over-quarter were in line, with higher cash earnings in the current quarter offsetting increased investments in non-cash working capital.

Financing Activities

Cash used for financing activities in the second quarter of 2021 was \$15.9 million compared to cash generated of \$14.1 million in the first quarter of 2021 and cash used of \$11.8 million in the second quarter of 2020. Cash used for financing activities in the current quarter principally related to a \$15.0 million repayment of the Company's principal operating loan facility. Financing activities in the first quarter of 2021 principally related to cash generated from a \$15.0 million draw down of the Company's principal operating loan facility to service working capital requirements. Cash from financing activities in the second quarter of 2020 principally related to a \$11.0 million repayment of the Company's principal operating loan facility.

Investing Activities

Cash used for investing activities of \$15.4 million in the current quarter was principally comprised of maintenance-of-business capital spending.

Liquidity and Financial Requirements

At June 30, 2021, the Company had a \$110.0 million unsecured operating loan facility and \$12.9 million reserved for several standby letters of credit. At the end of the current quarter, the Company had \$97.1 million available and undrawn on its operating loan facility.

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

At June 30, 2021, the Company had net debt of \$13.9 million and available liquidity of \$133.2 million.

The Company remained in compliance with the covenants relating to its operating loans during the current quarter and expects to remain so for the foreseeable future.

OUTLOOK

Pulp and Paper Markets

Looking forward, global softwood kraft pulp markets are projected to soften somewhat through the third quarter of 2021, driven by the current tepid Chinese demand and above-average global pulp inventory levels combined with the traditionally slower summer months. Weakness experienced in the high yield BCTMP markets, especially in Asia, late in the second quarter is anticipated to continue early into the third quarter of 2021, before a projected stabilization in prices through the balance of the period.

The recent wave of extreme heat across Western Canada has put further pressure on an already constrained global logistics network. As a result, early in the third quarter of 2021, the Company has experienced limited and intermittent rail service to and from its pulp mills. While the Company continues to monitor and adapt to the unfolding logistic situation, it anticipates that these transportation disruptions will result in lower projected shipment volumes for the third quarter of 2021.

Results in the third quarter of 2021 will also reflect the impact of scheduled maintenance outages at the Company's Prince George and Taylor BCTMP ("Taylor") pulp mills, as well as incremental downtime at Northwood and Taylor reflecting both the aforementioned weather-related rail disruptions and pulp mill inventories nearing capacity as well as, in the case of Northwood, digester-related operational upsets in July. Combined, the currently anticipated third quarter downtime is projected to reduce NBSK pulp production by approximately 30,000 tonnes and BCTMP production by an estimated 12,000 tonnes.

Bleached kraft paper demand in North America is currently anticipated to show continued strength through the third quarter of 2021, largely driven by ongoing tight supply in the region. Offshore bleached kraft paper markets are also anticipated to be strong over the same period. A maintenance outage is currently planned at the Company's Prince George paper machine in September 2021 with a projected 5,000 tonnes of reduced paper production.

OUTSTANDING SHARES

As at June 30, 2021 and July 29, 2021, there were 65,233,559 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with 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 useful lives for amortization, impairment of long-lived assets, pension and other employee future benefit plans and asset retirement obligations based upon currently available information. While it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates, management does not believe it is likely that any such differences will materially affect the Company's financial condition.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2021, the Company has adopted amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, and IFRS 16 *Leases, Interest Rate Benchmark Reform – Phase 2* ("Phase 2") as issued in August 2020. Phase 2 of the amendments required financial instruments measured using amortized cost to be adjusted to reflect changes to the effective interest rate. For the Company, the adoption of Phase 2 is applicable to its committed operating loan facility and its non-revolving term debt, both of which have yet to transition to an alternative benchmark interest rate at June 30, 2021. As a result, there was no impact to the Company's financial results upon adoption of Phase 2.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended June 30, 2021, there were no changes in the Company's internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

RISKS AND UNCERTAINTIES

A comprehensive discussion of risks and uncertainties is included in the Company's 2020 annual statutory reports, which are available on www.canfor.com or www.sedar.com.

There have been no adverse impacts of COVID-19 on the Company in the second quarter of 2021. Please see the Company's annual disclosures referenced above for further information.

Sales are primarily influenced by changes in market pulp prices, sales volumes and fluctuations in Canadian dollar exchange rates. Operating income, net income and operating income before amortization are primarily impacted by: sales revenue; freight costs; fluctuations of fibre, chemical and energy prices; level of spending and timing of maintenance downtime; and production curtailments. Net income is also impacted by fluctuations in Canadian dollar exchange rates, the revaluation to the period end rate of US-dollar denominated working capital balances and revaluation of outstanding derivative financial instruments.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Sales and income (loss) (millions of Canadian dollars)								
Sales	\$ 334.3	\$ 262.4	\$ 237.8	\$ 226.4	\$ 250.7	\$ 275.6	\$ 247.5	\$ 216.9
Operating income (loss) before amortization	\$ 72.9	\$ 25.7	\$ (6.2)	\$ (8.7)	\$ 13.3	\$ 27.7	\$ 0.1	\$ (20.3)
Operating income (loss)	\$ 51.0	\$ 4.9	\$ (28.3)	\$ (27.6)	\$ (6.3)	\$ 6.1	\$ (23.5)	\$ (44.0)
Net income (loss)	\$ 36.2	\$ 8.4	\$ (10.2)	\$ (18.1)	\$ (1.1)	\$ 7.0	\$ (19.5)	\$ (32.4)
Per common share (Canadian dollars)								
Net income (loss) – basic and diluted	\$ 0.55	\$ 0.13	\$ (0.16)	\$ (0.28)	\$ (0.02)	\$ 0.11	\$ (0.30)	\$ (0.50)
Book value ⁹	\$ 8.89	\$ 8.37	\$ 8.16	\$ 8.25	\$ 8.57	\$ 8.66	\$ 8.56	\$ 8.92
Dividends declared	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.0625	\$ 0.0625
Statistics								
Pulp shipments (000 mt)	285	265	258	249	248	290	267	213
Paper shipments (000 mt)	30	37	35	27	36	34	26	27
Average exchange rate – US\$/Cdn\$	\$ 0.814	\$ 0.790	\$ 0.767	\$ 0.751	\$ 0.722	\$ 0.744	\$ 0.758	\$ 0.757
Average NBSK pulp list price delivered to China (US\$)	\$ 962	\$ 883	\$ 637	\$ 572	\$ 572	\$ 573	\$ 563	\$ 555

⁹ 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.

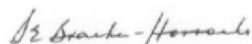
Canfor Pulp Products Inc. Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)	As at June 30, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 36.1	\$ 6.8
Accounts receivable - Trade	93.9	64.3
- Other	12.1	13.6
Income taxes receivable	23.9	26.0
Inventories (Note 2)	227.3	188.5
Prepaid expenses and other	11.0	18.6
Total current assets	404.3	317.8
Property, plant and equipment and intangible assets		
Right-of-use assets	2.3	2.0
Other long-term assets	3.1	6.5
Total assets	\$ 981.4	\$ 920.8
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 165.8	\$ 161.6
Current portion of lease obligations	1.1	1.0
Total current liabilities	166.9	162.6
Term debt (Note 3(b))	50.0	50.0
Retirement benefit obligations (Note 4)	67.1	70.4
Lease obligations	1.8	1.5
Other long-term provisions	8.2	8.7
Deferred income taxes, net	107.6	95.1
Total liabilities	\$ 401.6	\$ 388.3
EQUITY		
Share capital	\$ 480.8	\$ 480.8
Retained earnings	99.0	51.7
Total equity	\$ 579.8	\$ 532.5
Total liabilities and equity	\$ 981.4	\$ 920.8

Contingencies (Note 11)

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

APPROVED BY THE BOARD



Director, S.E. Bracken-Horrock



Director, The Hon. J.R. Baird

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

(millions of Canadian dollars, except per share data, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2021	2020	2021	2020
Sales	\$ 334.3	\$ 250.7	\$ 596.7	\$ 526.3
Costs and expenses				
Manufacturing and product costs	217.7	199.4	413.4	403.5
Freight and other distribution costs	36.6	33.0	71.1	71.3
Amortization	21.9	19.6	42.7	41.2
Selling and administration costs	7.1	5.0	13.6	10.5
	283.3	257.0	540.8	526.5
Operating income (loss)	51.0	(6.3)	55.9	(0.2)
Finance expense, net	(1.2)	(1.3)	(2.4)	(2.9)
Other income (expense), net (Note 10)	(0.1)	6.2	7.6	11.1
Net income (loss) before income taxes	49.7	(1.4)	61.1	8.0
Income tax recovery (expense) (Note 5)	(13.5)	0.3	(16.5)	(2.1)
Net income (loss)	\$ 36.2	\$ (1.1)	\$ 44.6	\$ 5.9
Net income (loss) per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 6)	\$ 0.55	\$ (0.02)	\$ 0.68	\$ 0.09

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 June 30,		6 months ended June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 36.2	\$ (1.1)	\$ 44.6	\$ 5.9
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains (losses), net (Note 4)	(2.9)	(6.5)	3.7	(1.2)
Income tax recovery (expense) on defined benefit plan actuarial gains (losses), net (Note 5)	0.8	1.7	(1.0)	0.3
Other comprehensive income (loss), net of tax	(2.1)	(4.8)	2.7	(0.9)
Total comprehensive income (loss)	\$ 34.1	\$ (5.9)	\$ 47.3	\$ 5.0

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2021	2020	2021	2020
Share capital				
Balance at beginning and end of period	\$ 480.8	\$ 480.8	\$ 480.8	\$ 480.8
Retained earnings				
Balance at beginning of period	\$ 64.9	\$ 84.3	\$ 51.7	\$ 77.5
Net income (loss)	36.2	(1.1)	44.6	5.9
Defined benefit plan actuarial gains (losses), net of tax	(2.1)	(4.8)	2.7	(0.9)
Dividends declared	-	-	-	(4.1)
Balance at end of period	\$ 99.0	\$ 78.4	\$ 99.0	\$ 78.4
Total equity	\$ 579.8	\$ 559.2	\$ 579.8	\$ 559.2

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 June 30,		6 months ended June 30,	
	2021	2020	2021	2020
Cash generated from (used in):				
Operating activities				
Net income (loss)	\$ 36.2	\$ (1.1)	\$ 44.6	\$ 5.9
Items not affecting cash:				
Amortization	21.9	19.6	42.7	41.2
Income tax expense (recovery) (Note 5)	13.5	(0.3)	16.5	2.1
Employee future benefits expense	0.9	1.0	1.7	1.9
Finance expense, net	1.2	1.3	2.4	2.9
Other, net	0.1	(0.4)	(0.2)	0.3
Defined benefit plan contributions, net	(0.9)	(1.0)	(2.0)	(2.4)
Income taxes received, net	0.3	-	-	29.3
	73.2	19.1	105.7	81.2
Net change in non-cash working capital (Note 7)	(11.0)	42.8	(26.2)	20.2
	62.2	61.9	79.5	101.4
Financing activities				
Payment of lease obligations	(0.2)	(0.1)	(0.4)	(0.4)
Operating loan repayments, net (Note 3(a))	(15.0)	(11.0)	-	(14.0)
Finance expenses paid	(0.7)	(0.7)	(1.4)	(2.1)
Dividends paid	-	-	-	(4.1)
	(15.9)	(11.8)	(1.8)	(20.6)
Investing activities				
Additions to property, plant and equipment and intangible assets, net	(15.4)	(12.2)	(48.4)	(31.0)
Other, net	-	0.1	-	0.2
	(15.4)	(12.1)	(48.4)	(30.8)
Increase in cash and cash equivalents*	30.9	38.0	29.3	50.0
Cash and cash equivalents at beginning of period*	5.2	18.0	6.8	6.0
Cash and cash equivalents at end of period*	\$ 36.1	\$ 56.0	\$ 36.1	\$ 56.0

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

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

Canfor Pulp Products Inc. Notes to the Condensed Consolidated Financial Statements

Three and six months ended June 30, 2021 and 2020
(millions of Canadian dollars unless otherwise noted, unaudited)

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, and include the accounts of Canfor Pulp Products Inc. and its subsidiaries, hereinafter referred to as "CPPI" or "the Company." At June 30, 2021 and July 29, 2021, Canfor Corporation ("Canfor") held a 54.8% interest in CPPI.

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, 2020, 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 July 29, 2021.

Change in Accounting Policy

Effective January 1, 2021, the Company has adopted amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, and IFRS 16 *Leases, Interest Rate Benchmark Reform – Phase 2* ("Phase 2") as issued in August 2020. Phase 2 of the amendments required financial instruments measured using amortized cost to be adjusted to reflect changes to the effective interest rate. For the Company, the adoption of Phase 2 is applicable to its non-revolving term debt and its committed operating loan facility, both of which have yet to transition to an alternative benchmark interest rate at June 30, 2021. As a result, there was no impact to the Company's financial results upon adoption of Phase 2.

2. Inventories

(millions of Canadian dollars, unaudited)	As at June 30, 2021	As at December 31, 2020
Pulp	\$ 87.6	\$ 55.4
Paper	19.3	20.9
Wood chips and logs	65.1	57.2
Materials and supplies	55.3	55.0
	\$ 227.3	\$ 188.5

The above inventory balances are stated at the lower of cost and net realizable value. For the three months ended June 30, 2021, no inventory valuation adjustment was recognized (six months ended June 30, 2021 – \$2.2 million write-down recovery). For the three months ended June 30, 2020, an \$8.2 million inventory write-down expense was recognized (six months ended June 30, 2020 – \$2.5 million write-down recovery). At June 30, 2021, there is no inventory provision remaining for finished pulp and raw materials (December 31, 2020 – \$2.2 million).

3. Operating Loan and Term Debt

(a) Available Operating Loan

(millions of Canadian dollars, unaudited)	As at June 30, 2021	As at December 31, 2020
Operating loan facility	\$ 110.0	\$ 110.0
Letters of credit	(12.9)	(12.9)
Total available operating loan facility	\$ 97.1	\$ 97.1

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

The facility has certain financial covenants, including a maximum debt to total capitalization ratio. At June 30, 2021, the Company was fully in compliance with all covenants relating to its operating loan facility.

(b) Term Debt

The Company's \$50.0 million non-revolving term loan features similar financial covenants to the operating loan facility, including a maximum debt to total capitalization ratio. As at June 30, 2021, the Company was fully in compliance with all covenants relating to its term debt. The loan is repayable on September 30, 2022, with interest based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar LIBOR rate, plus a margin.

4. Employee Future Benefits

For the three months ended June 30, 2021, actuarial losses of \$2.9 million (before tax) were recognized in other comprehensive income (loss), reflecting a lower discount rate used to value the net defined benefit obligations (comprised of defined benefit pension plans as well as other benefit plans), offset in part by a higher than anticipated return on plan assets. For the six months ended June 30, 2021, actuarial gains of \$3.7 million (before tax) were recognized in other comprehensive income (loss).

For the three months ended June 30, 2020, actuarial losses of \$6.5 million (before tax) 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 six months ended June 30, 2020, actuarial losses of \$1.2 million (before tax) were recognized in other comprehensive income (loss).

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

	Defined Benefit Pension Plans	Other Benefit Plans
June 30, 2021	3.0%	3.0%
March 31, 2021	3.2%	3.2%
December 31, 2020	2.7%	2.7%
June 30, 2020	3.0%	3.0%
March 31, 2020	3.7%	3.7%
December 31, 2019	3.0%	3.0%

5. Income Taxes

The components of income tax recovery (expense) are as follows:

(millions of Canadian dollars, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2021	2020	2021	2020
Current	\$ (6.8)	\$ 1.4	\$ (5.0)	\$ -
Deferred	(6.7)	(1.1)	(11.5)	(2.1)
Income tax recovery (expense)	\$ (13.5)	\$ 0.3	\$ (16.5)	\$ (2.1)

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 June 30,		6 months ended June 30,	
	2021	2020	2021	2020
Income tax recovery (expense) at statutory rate of 27% (2020 – 27%)	\$ (13.4)	\$ 0.3	\$ (16.5)	\$ (2.2)
Add: Entities with different income tax rates and other tax adjustments	(0.1)	-	-	0.1
Income tax recovery (expense)	\$ (13.5)	\$ 0.3	\$ (16.5)	\$ (2.1)

In addition to the amounts recorded to net income (loss), a tax recovery of \$0.8 million was recorded to other comprehensive income (loss) in relation to actuarial losses on the Company's defined benefit plans for the three months ended June 30, 2021 (three months ended June 30, 2020 – recovery of \$1.7 million). For the six months

ended June 30, 2021, a tax expense of \$1.0 million related to actuarial gains on the Company's defined benefit plans was recorded to other comprehensive income (loss) (six months ended June 30, 2020 – recovery of \$0.3 million related to actuarial losses).

6. Earnings (Loss) Per Common Share

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

	3 months ended June 30,		6 months ended June 30,	
	2021	2020	2021	2020
Weighted average number of common shares	65,233,559	65,233,559	65,233,559	65,233,559

As at June 30, 2021 and July 29, 2021, there were 65,233,559 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

7. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2021	2020	2021	2020
Accounts receivable	\$ (14.3)	\$ 25.4	\$ (25.7)	\$ 17.4
Inventories	(20.7)	6.7	(38.8)	1.3
Prepaid expenses and other	6.2	8.3	8.1	3.6
Accounts payable and accrued liabilities	17.8	2.4	30.2	(2.1)
Net change in non-cash working capital	\$ (11.0)	\$ 42.8	\$ (26.2)	\$ 20.2

8. Segment Information

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

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
3 months ended June 30, 2021					
Sales from contracts with customers	\$ 296.9	\$ 37.4	\$ -	\$ -	\$ 334.3
Sales to other segments	29.8	-	-	(29.8)	-
Operating income (loss)	53.6	0.9	(3.5)	-	51.0
Amortization	21.2	0.7	-	-	21.9
Capital expenditures ¹	15.1	-	0.3	-	15.4
3 months ended June 30, 2020					
Sales from contracts with customers	\$ 205.8	\$ 44.9	\$ -	\$ -	\$ 250.7
Sales to other segments	21.3	-	-	(21.3)	-
Operating income (loss)	(12.0)	7.4	(1.7)	-	(6.3)
Amortization	18.9	0.7	-	-	19.6
Capital expenditures ¹	11.6	0.4	0.2	-	12.2
6 months ended June 30, 2021					
Sales from contracts with customers	\$ 516.7	\$ 80.0	\$ -	\$ -	\$ 596.7
Sales to other segments	49.6	-	-	(49.6)	-
Operating income (loss)	57.3	5.1	(6.5)	-	55.9
Amortization	41.3	1.4	-	-	42.7
Capital expenditures ¹	47.6	-	0.8	-	48.4
Identifiable assets	851.7	55.0	74.7	-	981.4

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
6 months ended June 30, 2020					
Sales from contracts with customers	\$ 438.9	\$ 87.4	\$ -	\$ -	\$ 526.3
Sales to other segments	38.9	-	-	(38.9)	-
Operating income (loss)	(10.9)	14.2	(3.5)	-	(0.2)
Amortization	39.8	1.4	-	-	41.2
Capital expenditures ¹	29.3	1.3	0.4	-	31.0
Identifiable assets	767.6	64.4	67.0	-	899.0

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

Geographic Information

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

(millions of Canadian dollars, unaudited)	3 months ended June 30,				6 months ended June 30,			
	2021		2020		2021		2020	
Sales by location of customer								
Canada	4%	\$ 15.3	8%	\$ 19.3	6%	\$ 36.7	8%	\$ 43.9
Asia	73%	242.7	61%	152.3	70%	417.1	60%	315.2
United States	18%	58.8	24%	61.1	18%	108.4	25%	129.0
Europe	3%	9.1	4%	9.8	3%	19.5	4%	20.7
Other	2%	8.4	3%	8.2	3%	15.0	3%	17.5
	100%	\$ 334.3	100%	\$ 250.7	100%	\$ 596.7	100%	\$ 526.3

9. Related Party Transactions

For the six months ended June 30, 2021, the Company depended on Canfor to provide approximately 62% (six months ended June 30, 2020 – 67%) of its fibre supply as well as certain key business and administrative services. As a result of these relationships, the Company considers its operations to be dependent on its ongoing relationship with Canfor. The transactions with Canfor are consistent with the transactions described in the December 31, 2020 audited consolidated financial statements of CPPI and are based on agreed-upon amounts between the parties.

Transactions with and amounts payable to Canfor include purchases of wood chips, logs, hog fuel and administrative services. These are summarized below:

(millions of Canadian dollars, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2021	2020	2021	2020
Transactions				
Purchase of wood chips and other	\$ 61.9	\$ 54.2	\$ 112.9	\$ 118.4

(millions of Canadian dollars, unaudited)	As at June 30, 2021	As at December 31, 2020
Balance Sheet		
Included in accounts payable and accrued liabilities	\$ 25.7	\$ 16.7

10. Other Income (Expense), Net

During the three and six months ended June 30, 2021, the Company received insurance proceeds of \$0.5 million and \$8.8 million, respectively (three and six months ended June 30, 2020 – \$8.9 million and \$10.0 million, respectively) related to Northwood pulp mill's number five recovery boiler ("RB5") outage in 2018, included as a component of 'Other income (expense), net' on the condensed consolidated statement of income (loss).

11. Contingencies

On March 11, 2020, the World Health Organization declared the coronavirus (“COVID-19”) outbreak a pandemic. Although there have been no adverse impacts of COVID-19 on the Company in the second quarter of 2021, Management continues to closely monitor its effects on the Company’s operating plan, liquidity, cash flows, and the valuation of its long-lived assets.