



2022

QUARTER THREE

INTERIM REPORT

FOR THE THREE MONTHS ENDED SEPT. 30, 2022

CANFOR PULP PRODUCTS INC.

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To Our Shareholders

Canfor Pulp Products Inc. ("The Company" or "CPPI") reported its third quarter of 2022 results:

Overview

- Q3 2022 reported operating income of \$19 million; net income of \$16 million, or \$0.25 per share
- Strong global pulp fundamentals principally led by supply shortages; significant uptick in NBSK pulp unit sales realizations
- Improved pulp production following capital-related downtime earlier in the year

Financial Results

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

(millions of Canadian dollars, except per share amounts)	Q3 2022	Q2 2022	YTD 2022	Q3 2021	YTD 2021
Sales	\$ 308.3	\$ 288.9	\$ 817.5	\$ 298.9	\$ 895.6
Reported operating income before amortization	\$ 46.7	\$ 15.7	\$ 56.5	\$ 37.8	\$ 136.4
Reported operating income (loss)	\$ 19.2	\$ (8.1)	\$ (14.9)	\$ 15.8	\$ 71.7
Adjusted operating income before amortization ¹	\$ 45.6	\$ 16.2	\$ 54.8	\$ 41.3	\$ 137.7
Adjusted operating income (loss) ¹	\$ 18.1	\$ (7.6)	\$ (16.6)	\$ 19.3	\$ 73.0
Net income (loss)	\$ 16.3	\$ (5.7)	\$ (9.3)	\$ 12.1	\$ 56.7
Net income (loss) per share, basic and diluted	\$ 0.25	\$ (0.09)	\$ (0.14)	\$ 0.19	\$ 0.87

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

The Company reported operating income of \$19.2 million for the third quarter of 2022, up \$27.3 million from an operating loss of \$8.1 million reported for the second quarter of 2022, in large part reflecting materially higher Northern Bleached Softwood Kraft ("NBSK") pulp unit sales realizations, and to a lesser extent, a 2 cent, or 2%, weaker Canadian dollar.

Global softwood pulp market conditions remained relatively strong through most of the third quarter of 2022, principally reflecting increased demand, particularly from the North American and European markets, coupled with supply shortages, tied to ongoing global logistical challenges and unforeseen global production disruptions. Market fundamentals came increasingly under pressure in the latter part of the quarter however, driven largely by a moderation in purchasing activity from China. Despite relatively steady global market fundamentals, global softwood pulp producer inventories at the end of August 2022 were well above the balanced range at 44 days of supply, four days higher than at the end of June 2022, largely tied to the ongoing global supply chain challenges.

The strong NBSK US-dollar pulp list prices to China experienced in the first half of the year, continued into the current quarter, with prices reaching a near-record high of US\$1,010 per tonne in July, before declining in August and September, to end the quarter at US\$948 per tonne. Consequently, average US-dollar NBSK pulp list prices to China were US\$969 per tonne, down US\$39 per tonne, or 4%, from the previous quarter. Prices to North America continued to strengthen in the current quarter, averaging US\$1,800 per tonne (before discounts), up US\$57 per tonne, or 3%, from the previous quarter.

Following the completion of capital-related downtime in the first half of 2022, pulp production was up 4% from the previous quarter, as NBSK pulp productivity steadily improved as the quarter progressed. Consistent with the prior period, however, NBSK pulp production in the current quarter continued to be limited to available transportation. Concurrently, logistics-related downtime at the Company's Taylor Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") mill ("Taylor"), which commenced in the first quarter of 2022 and continued throughout the second and third quarters, reduced production by approximately 60,000 tonnes in the current period. In addition, NBSK pulp production in the current quarter included the completion in mid-July of the Company's Northwood NBSK pulp mill's ("Northwood") scheduled maintenance outage (approximately 16,000 tonnes) as well as the commencement in September of the Company's Intercontinental NBSK pulp mill's ("Intercon") planned maintenance downtime (approximately 6,000 tonnes in the third quarter and a further 6,000 tonnes in October).

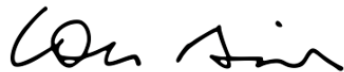
Operating income in the Company's paper segment was \$4.1 million, down \$2.1 million from the previous quarter, as moderately higher US-dollar paper pricing and a weaker Canadian dollar were more than offset by significantly higher slush pulp costs (linked to Canadian dollar NBSK market pulp prices).

Looking forward, global softwood pulp markets are projected to soften somewhat through the fourth quarter of 2022, reflecting tempered pulp demand, particularly from China.

Results in the fourth quarter are anticipated to reflect the continued uncertainties associated with lingering supply chain challenges and the related pressures on the Company's operations and shipments. As previously disclosed, it is projected that a restart of Taylor will not be contemplated until such time as there is a return to more normal transportation service levels to all of the Company's pulp and paper mills.

The Company's results in the fourth quarter of 2022 will see the continuation of Intercon's scheduled maintenance outage into October, with an estimated 6,000 tonnes of reduced NBSK pulp production. In addition, NBSK pulp production in the fourth quarter will reflect a temporary curtailment at Intercon due to a lack of available economic fibre (approximately 16,000 tonnes). The current weakness in lumber markets may result in extended sawmill curtailments in the British Columbia Interior, with the risk that lower volumes of sawmill residual chips available to pulp mills may cause further downtime at the Company's operations. The Company will continue to closely monitor the supply chain challenges as well as the availability of economically viable fibre, and will adjust future operating plans accordingly, through the balance of 2022.

Bleached kraft paper markets are projected to experience a modest slowdown in the fourth quarter, particularly in the North American and offshore markets, as global kraft paper inventory levels move towards a more balanced range.



The Honourable John R. Baird
Chairman



Kevin A. Edgson
President and Chief Executive Officer

Non-IFRS Financial Measures

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

(millions of Canadian dollars)	Q3 2022	Q2 2022	YTD 2022	Q3 2021	YTD 2021
Reported operating income (loss)	\$ 19.2	\$ (8.1)	\$ (14.9)	\$ 15.8	\$ 71.7
Inventory write-down (recovery), net	\$ (1.1)	\$ 0.5	\$ (1.7)	\$ 3.5	\$ 1.3
Adjusted operating income (loss)	\$ 18.1	\$ (7.6)	\$ (16.6)	\$ 19.3	\$ 73.0
Amortization	\$ 27.5	\$ 23.8	\$ 71.4	\$ 22.0	\$ 64.7
Adjusted operating income before amortization	\$ 45.6	\$ 16.2	\$ 54.8	\$ 41.3	\$ 137.7

Canfor Pulp Products Inc.
Third Quarter 2022
Management's Discussion and Analysis

This interim Management's Discussion and Analysis ("MD&A") provides a review of Canfor Pulp Products Inc.'s ("CPPI" or "the Company") financial performance for the quarter ended September 30, 2022 relative to the quarters ended June 30, 2022 and September 30, 2021, and the financial position of the Company at September 30, 2022. It should be read in conjunction with CPPI's unaudited interim consolidated financial statements and accompanying notes for the quarters ended, September 30, 2022 and 2021, as well as the 2021 annual MD&A and the 2021 audited consolidated financial statements and notes thereto, which are included in CPPI's Annual Report for the year ended December 31, 2021 (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 Impairment, Adjusted Operating Income (Loss) and Adjusted 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 – for the full calculation refer to the "Selected Quarterly Financial Information" section) 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 and Impairment, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) before Amortization, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share are not generally accepted earnings measures under IFRS and should not be considered as an alternative to net income 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 and Impairment, Adjusted Operating Income (Loss), Adjusted 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 these measures to those reported in accordance with IFRS are included in the "Non-IFRS Financial Measures" section of this MD&A, with details surrounding Operating Income (Loss) before Amortization and Impairment included under "Selected Quarterly Financial Information". Throughout this discussion reference is made to the current quarter which refers to the results for the third quarter of 2022.

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

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

All financial references are in millions of Canadian dollars unless otherwise noted. The information in this report is as at October 27, 2022.

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.

THIRD QUARTER 2022 OVERVIEW

Selected Financial Information and Statistics

(millions of Canadian dollars, except ratios)	Q3 2022	Q2 2022	YTD 2022	Q3 2021	YTD 2021
Operating income (loss) by segment:					
Pulp	\$ 18.6	\$ (11.1)	\$ (21.8)	\$ 22.1	\$ 79.4
Paper	\$ 4.1	\$ 6.2	\$ 16.3	\$ (2.5)	\$ 2.6
Unallocated	\$ (3.5)	\$ (3.2)	\$ (9.4)	\$ (3.8)	\$ (10.3)
Total operating income (loss)	\$ 19.2	\$ (8.1)	\$ (14.9)	\$ 15.8	\$ 71.7
Add: Amortization ¹	\$ 27.5	\$ 23.8	\$ 71.4	\$ 22.0	\$ 64.7
Total operating income before amortization	\$ 46.7	\$ 15.7	\$ 56.5	\$ 37.8	\$ 136.4
Add (deduct):					
Working capital movements	\$ (39.1)	\$ 18.0	\$ (52.7)	\$ (28.3)	\$ (54.5)
Defined benefit plan contributions, net	\$ (0.9)	\$ (0.7)	\$ (2.6)	\$ (0.9)	\$ (2.9)
Income taxes (paid) received, net	\$ (0.4)	\$ (1.0)	\$ (3.6)	\$ 22.7	\$ 22.7
Other operating cash flows, net	\$ 6.5	\$ 1.9	\$ 9.1	\$ 3.3	\$ 12.4
Cash from operating activities	\$ 12.8	\$ 33.9	\$ 6.7	\$ 34.6	\$ 114.1
Deduct:					
Capital additions, net	\$ (28.5)	\$ (37.7)	\$ (84.6)	\$ (14.3)	\$ (62.7)
Other, net	\$ (1.9)	\$ (1.3)	\$ (3.9)	\$ (0.7)	\$ (2.5)
Change in cash / operating loans	\$ (17.6)	\$ (5.1)	\$ (81.8)	\$ 19.6	\$ 48.9
ROIC – Consolidated period-to-date ²	2.9%	(1.2)%	(2.3)%	2.1%	10.5%
Average exchange rate (US\$ per C\$1.00)³	\$ 0.766	\$ 0.783	\$ 0.779	\$ 0.794	\$ 0.799

¹ Amortization includes amortization of certain capitalized major maintenance costs.

² Consolidated ROIC is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section for further details.

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

The Company reported operating income of \$19.2 million for the third quarter of 2022, up \$27.3 million from an operating loss of \$8.1 million reported for the second quarter of 2022, in large part reflecting materially higher Northern Bleached Softwood Kraft ("NBSK") pulp unit sales realizations, and to a lesser extent, a 2 cent, or 2% weaker Canadian dollar.

Compared to the third quarter of 2021, operating results increased \$3.4 million as a substantial uplift in average NBSK pulp unit sales realizations, moderately higher paper unit sales realizations and a 3 cent, or 4%, weaker Canadian dollar in the current period, were offset in part by a decline in pulp production and shipments, as well as higher pulp unit manufacturing costs quarter-over-quarter.

OPERATING RESULTS BY BUSINESS SEGMENT

Pulp

Selected Financial Information and Statistics – Pulp

(millions of Canadian dollars, unless otherwise noted)	Q3 2022	Q2 2022	YTD 2022	Q3 2021	YTD 2021
Sales	\$ 258.9	\$ 236.7	\$ 672.1	\$ 255.6	\$ 772.3
Operating income before amortization ⁴	\$ 45.5	\$ 12.2	\$ 48.0	\$ 43.4	\$ 142.0
Operating income (loss)	\$ 18.6	\$ (11.1)	\$ (21.8)	\$ 22.1	\$ 79.4
Inventory write-down (recovery)	\$ (1.1)	\$ 0.5	\$ (1.7)	\$ 3.5	\$ 1.3
Adjusted operating income (loss) ⁵	\$ 17.5	\$ (10.6)	\$ (23.5)	\$ 25.6	\$ 80.7
Average NBSK pulp price delivered to China – US\$ ⁶	\$ 969	\$ 1,008	\$ 959	\$ 832	\$ 892
Average NBSK pulp price delivered to China – Cdn\$ ⁶	\$ 1,265	\$ 1,287	\$ 1,231	\$ 1,048	\$ 1,116
Production – pulp (000 mt)	195	187	558	247	829
Shipments – pulp (000 mt)	199	205	580	241	791

⁴ Amortization includes amortization of certain capitalized major maintenance costs.

⁵ Adjusted operating income (loss) is a non-IFRS financial measure. Refer to the “Non-IFRS Financial Measures” section for further details.

⁶ 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

Global softwood pulp market conditions remained relatively strong through most of the third quarter of 2022, principally reflecting increased demand, particularly from the North American and European markets, coupled with supply shortages, tied to ongoing global logistical challenges and unforeseen global production disruptions. Market fundamentals came increasingly under pressure in the latter part of the quarter however, driven largely by a moderation in purchasing activity from China.

The strong NBSK US-dollar pulp list prices to China experienced in the first half of the year, continued into the current quarter, with prices reaching a near-record high of US\$1,010 per tonne in July, before declining in August and September, to end the quarter at US\$948 per tonne. Consequently, average US-dollar NBSK pulp list prices to China for the current quarter were US\$969 per tonne, down US\$39 per tonne, or 4%, from the previous quarter, but up US\$137 per tonne, or 16%, compared to the third quarter of 2021. Prices to North America continued to strengthen in the current quarter, averaging US\$1,800 per tonne (before discounts), up US\$57 per tonne, or 3%, from the previous quarter, and up \$258 per tonne, or 17%, compared to the same period from last year.

Despite relatively steady global market fundamentals, global softwood pulp producer inventories at the end of August 2022 were well above the balanced range at 44 days⁷ of supply, four days higher than at the end of June 2022, largely tied to the ongoing global supply chain challenges. (Market conditions are generally considered balanced when inventories are in the 28-36 days of supply range).

Sales

The Company’s pulp shipments for the third quarter of 2022 were 199,000 tonnes, down 6,000 tonnes, or 3% from the previous quarter, principally reflecting the impacts of a constrained global supply chain network on pulp production and shipments, combined with the timing of shipments around quarter-end. Compared to the third quarter of 2021, pulp shipments were down 42,000 tonnes, or 17%, primarily reflecting the 21% reduction in pulp production and, to a lesser extent, the timing of vessels quarter-over-quarter.

Notwithstanding the decline in NBSK pulp list prices to China in the latter part of the current quarter, the Company’s average NBSK pulp unit sales realizations were significantly higher than the previous quarter, primarily due to a favourable timing lag in shipments (versus orders) and, to a lesser extent, a 2 cent, or 2%, weaker Canadian dollar. Compared to the third quarter of 2021, the Company’s average NBSK pulp unit sales realizations saw a substantial increase, as a notable uptick in US-dollar pulp list pricing quarter-over-quarter was combined with a 3 cent, or 4%, weaker Canadian dollar.

⁷ 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”).

Energy revenues increased compared to the second quarter of 2022, largely due to seasonally higher energy prices. Compared to the third quarter of 2021, energy revenue was moderately lower, primarily reflecting reduced energy generation tied to decreased pulp production quarter-over-quarter.

Operations

Following the completion of capital-related downtime in the first half of 2022, pulp production was 195,000 tonnes for the third quarter of 2022, up 8,000 tonnes, or 4%, from the previous quarter, as NBSK pulp productivity steadily improved as the quarter progressed. Consistent with the prior period, however, NBSK pulp production in the current quarter continued to be limited to available transportation. Concurrently, logistics-related downtime at the Company's Taylor Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") mill ("Taylor"), which commenced in the first quarter of 2022 and continued throughout the second and third quarters, reduced production by approximately 60,000 tonnes in the current period. In addition, NBSK pulp production in the current quarter included the completion in mid-July of the Company's Northwood NBSK pulp mill's ("Northwood") scheduled maintenance outage (approximately 16,000 tonnes) as well as the commencement in September of the Company's Intercontinental NBSK pulp mill's ("Intercon") planned maintenance downtime (approximately 6,000 tonnes in the third quarter and a further 6,000 tonnes in October).

In the second quarter of 2022, pulp production was primarily impacted by significant transportation shortages in British Columbia ("BC"), which resulted in downtime at Taylor (approximately 60,000 tonnes) and productivity constraints at all of the Company's NBSK pulp mills. In addition, pulp production in the previous quarter reflected the completion of Northwood's recovery boiler number one ("RB1") capital upgrade (approximately 10,000 tonnes) as well as the commencement of Northwood's scheduled outage (approximately 30,000 tonnes).

Compared to the third quarter of 2021, pulp production was down 52,000 tonnes, or 21%, mainly reflecting the aforementioned transportation-related curtailment at Taylor and supply chain constraints on NBSK productivity in the current period, as well as planned downtime at Northwood and Intercon. These factors more than offset reduced pulp production in the comparative period driven by scheduled maintenance outages at the Company's Prince George NBSK ("PG") and Taylor pulp mills, as well as rail-related downtime at Northwood and Taylor (combined, approximately 42,000 tonnes).

Pulp unit manufacturing costs were comparable to the previous quarter, as increased fibre costs more than offset the benefit of lower energy prices and, to a lesser extent, reduced maintenance spend (timing-related) in the current period. The higher fibre costs principally reflected increased market prices for delivered sawmill residual chips (linked to Canadian dollar NBSK pulp sales realizations) and, to a lesser extent, a larger proportion of higher-cost whole log chips as a result of sawmill curtailments in the current quarter.

Compared to the third quarter of 2021, pulp unit manufacturing costs were significantly higher, mostly attributable to lower production combined with market-related increases in fibre costs as well as increased energy usage and higher chemical costs in the current quarter.

Paper

Selected Financial Information and Statistics – Paper

(millions of Canadian dollars, unless otherwise noted)	Q3 2022	Q2 2022	YTD 2022	Q3 2021	YTD 2021
Sales	\$ 49.4	\$ 52.2	\$ 145.4	\$ 43.3	\$ 123.3
Operating income (loss) before amortization ⁸	\$ 4.6	\$ 6.7	\$ 17.8	\$ (1.9)	\$ 4.6
Operating income (loss)	\$ 4.1	\$ 6.2	\$ 16.3	\$ (2.5)	\$ 2.6
Production – paper (000 mt)	33	33	100	31	94
Shipments – paper (000 mt)	32	34	97	34	100

⁸ Amortization includes amortization of certain capitalized major maintenance costs.

Markets

Global kraft paper market demand and pricing continued to strengthen through the third quarter of 2022, led principally by the North American region.

Sales

The Company's paper shipments in the third quarter of 2022 were 32,000 tonnes, down 2,000 tonnes from both comparative periods, largely due to the timing of shipments quarter-over-quarter.

Paper unit sales realizations in the third quarter of 2022 were moderately higher than the previous quarter, principally reflecting higher market-driven US-dollar pricing in North America in the current period, combined with the weaker Canadian dollar. Compared to the third quarter of 2021, paper unit sales realizations experienced a substantial increase, primarily reflecting a notable improvement in US-dollar prices, especially to North American markets, quarter-over-quarter, combined with a 4% weaker Canadian dollar.

Operations

Paper production for the third quarter of 2022 was 33,000 tonnes, broadly in line with both comparative periods.

Moderately higher paper unit manufacturing costs, compared to both the second quarter of 2022 and the third quarter of 2021, principally reflected notably higher slush pulp costs (associated with increased Canadian dollar average NBSK pulp unit sales realizations), offset in part by the benefit of reduced spend on operating supplies in the current period (timing-related).

Unallocated Items

Selected Financial Information

(millions of Canadian dollars)	Q3 2022	Q2 2022	YTD 2022	Q3 2021	YTD 2021
Corporate costs	\$ (3.5)	\$ (3.2)	\$ (9.4)	\$ (3.8)	\$ (10.3)
Finance expense, net	\$ (2.1)	\$ (1.6)	\$ (4.7)	\$ (1.1)	\$ (3.5)
Other income, net	\$ 5.2	\$ 1.9	\$ 6.8	\$ 1.8	\$ 9.4

Corporate costs were \$3.5 million for the third quarter of 2022 up \$0.3 million from the previous quarter and down \$0.3 million from the third quarter of 2021. The former largely reflecting a slight increase in head office and general administrative expenses in the current period.

Net finance expense for the third quarter of 2022 was \$2.1 million, up \$0.5 million compared to the prior quarter and up \$1.0 million compared to the third quarter of 2021. The increase principally related to higher financing fees associated with letters of credit and an uplift in interest expense associated with the Company's term debt in the current quarter.

Other income, net, of \$5.2 million in the third quarter of 2022 and \$1.9 million in the second quarter of 2022 and \$1.8 million in the third quarter of 2021 was largely due to favourable foreign exchange movements on US-dollar denominated working capital balances.

Other Comprehensive Income (Loss)

In the third quarter of 2022, the Company recorded a loss of \$2.5 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), largely reflecting a 0.2% decrease in the discount rate used to value the employee future benefit plans, partially offset by a higher than anticipated return on plan assets. This compared to a gain of \$11.0 million (before tax) in the second quarter of 2022, primarily due to a 1.2% increase in the discount rate used to value the employee future benefit plans, partially offset by a lower than anticipated return on plan assets. In the third quarter of 2021, the Company recorded a gain of \$1.2 million (before tax), mostly reflecting a higher than anticipated return on plan assets.

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)	Q3 2022	Q2 2022	YTD 2022	Q3 2021	YTD 2021
Increase (decrease) in cash and cash equivalents	\$ (2.6)	\$ (5.1)	\$ (66.8)	\$ 19.6	\$ 48.9
Operating activities	\$ 12.8	\$ 33.9	\$ 6.7	\$ 34.6	\$ 114.1
Financing activities	\$ 13.0	\$ (1.3)	\$ 10.9	\$ (1.2)	\$ (3.0)
Investing activities	\$ (28.4)	\$ (37.7)	\$ (84.4)	\$ (13.8)	\$ (62.2)
Ratio of current assets to current liabilities		1.9 : 1	2.0 : 1		1.8 : 1
Net debt (cash) to capitalization ⁹		7.8%	10.5%		(1.0)%
ROIC – Consolidated period-to-date	2.9%	(1.2)%	(2.3)%	2.1%	10.5%

⁹ Net debt (cash) to total capitalization is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section for further details.

Operating Activities

Cash generated from operating activities in the third quarter of 2022 was \$12.8 million, compared to \$33.9 million in the second quarter of 2022 and \$34.6 million in the third quarter of 2021. The \$21.1 million decrease in operating cash flows compared to the previous quarter was largely due to unfavourable movements in non-cash working capital, principally driven by increased accounts receivable and prepaid expenses, as well as reduced accounts payable and accrued liabilities (timing-related) at the end of the current quarter, offset in part by higher cash earnings in the current period. Compared to the third quarter of 2021, the decrease in operating cash flows primarily reflected lower income tax refunds received in the current period, combined with unfavourable changes in non-cash working capital quarter-over-quarter.

Financing Activities

Cash generated from financing activities in the third quarter of 2022 was \$13.0 million, compared to cash used of \$1.3 million in the second quarter of 2022 and cash used of \$1.2 million in the third quarter of 2021. Cash generated from financing activities in the current quarter primarily reflected a \$15.0 million draw-down of the Company's principal operating loan facility, partially offset by interest expense on the Company's term debt and principal operating loan facility as well as financing fees associated with letters of credit. Financing activities in the second quarter of 2022 principally related to interest expense on the Company's term debt and financing fees associated with letters of credit. Cash used for financing activities in the third quarter of 2021 primarily reflected financing fees associated with letters of credit.

Investing Activities

Cash used for investing activities of \$28.4 million in the current quarter was primarily comprised of maintenance-of-business capital. Cash used for investing activities of \$37.7 million in the previous quarter was principally comprised of the completion of Northwood's RB1 capital upgrade, as well as maintenance-of-business capital. In the third quarter of 2021, cash used for investing activities of \$13.8 million largely related to maintenance-of-business capital.

Liquidity and Financial Requirements

At September 30, 2022, the Company had a \$110.0 million unsecured operating loan facility, with \$15.0 million drawn in the current quarter and \$12.9 million reserved for several standby letters of credit. At the end of the current quarter, the Company had \$82.1 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 is repayable on December 15, 2025 and has certain financial covenants including a covenant based on maximum debt to total capitalization of the Company.

The Company's \$50.0 million non-revolving term debt features similar financial covenants to the operating loan facility, including a maximum debt to total capitalization ratio. The term debt is repayable on December 15, 2024 with interest based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar LIBOR rate, plus a margin.

As at September 30, 2022, the Company had net debt of \$58.5 million and available liquidity of \$88.6 million.

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

Net-Zero Carbon Emissions Plan

Building on the Company's sustainability strategy, on April 26, 2022, the Company, together with Canfor, announced its commitment to achieve net-zero carbon emissions by 2050. To achieve net-zero, the Company has developed near term science-based targets that include reducing the carbon emissions from its pulp operations, which are defined as Scope 1 and Scope 2, by 42% by 2030 compared to a base year of 2020. In addition, by 2024 the Company will measure and assess global supply chain emissions, which are defined as Scope 3, and set a science-based reduction target. The Company committed to these company-wide emission reductions in line with the Science Based Targets initiative ("SBTi") and will undergo validation with the SBTi within the next two years.

Sustainability Reporting

On June 28, 2022, the Company, together with Canfor, published its 2021 Sustainability Report which is the second year of its sustainability strategy. The report is a continuation of the Company's ambition to become an industry leader in sustainability and furthers its commitments to sustainability, including transparent reporting of sustainability practices, goals and metrics. The 2021 Sustainability Report includes performance to date on targets set in the previous year's report as well as additional performance targets for the material topics of Climate Change, Water Management, Waste Management and Air Quality. The 2021 Sustainability Report also includes disclosures aligned with the recommendations from the Task Force on Climate-related Financial Disclosures ("TCFD") and the Sustainability Accounting Standards Board ("SASB") standards.

OUTLOOK

Pulp and Paper Markets

Looking forward, global softwood pulp markets are projected to soften somewhat through the fourth quarter of 2022, reflecting tempered pulp demand, particularly from China.

Results in the fourth quarter are anticipated to reflect the continued uncertainties associated with lingering supply chain challenges and the related pressures on the Company's operations and shipments. As previously disclosed, it is projected that a restart of Taylor will not be contemplated until such time as there is a return to more normal transportation service levels to all of the Company's pulp and paper mills.

The Company's results in the fourth quarter of 2022 will see the continuation of Intercon's scheduled maintenance outage into October, with an estimated 6,000 tonnes of reduced NBSK pulp production. In addition, NBSK pulp production in the fourth quarter will reflect a temporary curtailment at Intercon due to a lack of available economic fibre (approximately 16,000 tonnes). The current weakness in lumber markets may result in extended sawmill curtailments in the British Columbia Interior, with the risk that lower volumes of sawmill residual chips available to pulp mills may cause further downtime at the Company's operations. The Company will continue to closely monitor the supply chain challenges as well as the availability of economically viable fibre, and will adjust future operating plans accordingly, through the balance of 2022.

Bleached kraft paper markets are projected to experience a modest slowdown in the fourth quarter, particularly in the North American and offshore markets, as global kraft paper inventory levels move towards a more balanced range.

OUTSTANDING SHARES

As at September 30, 2022 and October 27, 2022, there were 65,233,559 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

CRITICAL ACCOUNTING ESTIMATES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended September 30, 2022, 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 2021 annual statutory reports, which are available on www.canfor.com or www.sedar.com.

There have been no adverse impacts of the coronavirus ("COVID-19") on the Company in the third quarter of 2022. The Company continues to closely monitor the impacts of COVID-19, however, should the duration, spread or intensity of the pandemic change, supply chain, market pricing and customer demand could be affected. These factors could impact the Company's operating plan, liquidity, cash flows, and the valuation of long-lived assets.

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, and the revaluation to the period end rate of US-dollar denominated working capital balances.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Sales and income (loss) (millions of Canadian dollars)								
Sales	\$ 308.3	\$ 288.9	\$ 220.3	\$ 249.3	\$ 298.9	\$ 334.3	\$ 262.4	\$ 237.8
Operating income (loss) before amortization and impairment ¹⁰	\$ 46.7	\$ 15.7	\$ (5.9)	\$ (19.6)	\$ 37.8	\$ 72.9	\$ 25.7	\$ (6.2)
Operating income (loss)	\$ 19.2	\$ (8.1)	\$ (26.0)	\$ (137.2)	\$ 15.8	\$ 51.0	\$ 4.9	\$ (28.3)
Net income (loss)	\$ 16.3	\$ (5.7)	\$ (19.9)	\$ (101.1)	\$ 12.1	\$ 36.2	\$ 8.4	\$ (10.2)
Per common share (Canadian dollars)								
Net income (loss) – basic and diluted	\$ 0.25	\$ (0.09)	\$ (0.31)	\$ (1.55)	\$ 0.19	\$ 0.55	\$ 0.13	\$ (0.16)
Book value ¹¹	\$ 7.65	\$ 7.43	\$ 7.39	\$ 7.59	\$ 9.09	\$ 8.89	\$ 8.37	\$ 8.16
Statistics								
Pulp shipments (000 mt)	199	205	176	216	241	285	265	258
Paper shipments (000 mt)	32	34	31	27	34	30	37	35
Average exchange rate – US\$/Cdn\$	\$ 0.766	\$ 0.783	\$ 0.790	\$ 0.794	\$ 0.794	\$ 0.814	\$ 0.790	\$ 0.767
Average NBSK pulp list price delivered to China (US\$)	\$ 969	\$ 1,008	\$ 899	\$ 723	\$ 832	\$ 962	\$ 883	\$ 637

¹⁰ Amortization includes amortization of certain capitalized major maintenance costs; includes an asset impairment charge of \$95.0 million in Q4 2021.

¹¹ Book value per common share is equal to shareholders' equity at the end of the period, divided by the number of common shares outstanding at the end of the period.

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

After-tax impact (millions of Canadian dollars, except for per share amounts)	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Net income (loss), as reported	\$ 16.3	\$ (5.7)	\$ (19.9)	\$ (101.1)	\$ 12.1	\$ 36.2	\$ 8.4	\$ (10.2)
Asset impairment, net of tax	\$ -	\$ -	\$ -	\$ 69.4	\$ -	\$ -	\$ -	\$ -
Adjusted net income (loss)¹²	\$ 16.3	\$ (5.7)	\$ (19.9)	\$ (31.7)	\$ 12.1	\$ 36.2	\$ 8.4	\$ (10.2)
Net income (loss) per share (EPS), as reported	\$ 0.25	\$ (0.09)	\$ (0.31)	\$ (1.55)	\$ 0.19	\$ 0.55	\$ 0.13	\$ (0.16)
Net impact of above items per share	\$ -	\$ -	\$ -	\$ 1.06	\$ -	\$ -	\$ -	\$ -
Adjusted net income (loss) per share¹²	\$ 0.25	\$ (0.09)	\$ (0.31)	\$ (0.49)	\$ 0.19	\$ 0.55	\$ 0.13	\$ (0.16)

¹² Adjusted net income (loss) is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section for further details.

NON-IFRS FINANCIAL MEASURES

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

(millions of Canadian dollars, except for ratios)	Q3 2022	Q2 2022	YTD 2022	Q3 2021	YTD 2021
Reported operating income (loss)	\$ 19.2	\$ (8.1)	\$ (14.9)	\$ 15.8	\$ 71.7
Inventory write-down (recovery), net	\$ (1.1)	\$ 0.5	\$ (1.7)	\$ 3.5	\$ 1.3
Adjusted operating income (loss)	\$ 18.1	\$ (7.6)	\$ (16.6)	\$ 19.3	\$ 73.0
Amortization	\$ 27.5	\$ 23.8	\$ 71.4	\$ 22.0	\$ 64.7
Adjusted operating income before amortization	\$ 45.6	\$ 16.2	\$ 54.8	\$ 41.3	\$ 137.7

(millions of Canadian dollars)	Q3 2022	Q2 2022	YTD 2022	Q3 2021	YTD 2021
Reported operating income (loss)	\$ 19.2	\$ (8.1)	\$ (14.9)	\$ 15.8	\$ 71.7
Other income, net	\$ -	\$ -	\$ -	\$ (0.1)	\$ 8.8
Return	\$ 19.2	\$ (8.1)	\$ (14.9)	\$ 15.7	\$ 80.5

Average invested capital ¹³	\$ 671.0	\$ 661.1	\$ 653.6	\$ 767.3	\$ 765.9
Return on invested capital (ROIC)	2.9%	(1.2)%	(2.3)%	2.1%	10.5%

¹³ Average invested capital represents the average during the period of total assets excluding cash and cash equivalents and total liabilities excluding term debt, retirement benefit obligations and deferred taxes.

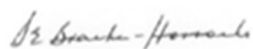
(millions of Canadian dollars, except for ratios)	As at September 30, 2022	As at December 31, 2021	As at September 30, 2021
Term-debt	\$ 50.0	\$ 50.0	\$ 50.0
Operating loan	\$ 15.0	\$ -	\$ -
Less: Cash and cash equivalents	\$ 6.5	\$ 73.3	\$ 55.7
Net debt (cash)	\$ 58.5	\$ (23.3)	\$ (5.7)
Total equity	\$ 499.1	\$ 495.0	\$ 592.8
Total capitalization	\$ 557.6	\$ 471.7	\$ 587.1
Net debt (cash) to total capitalization	10.5%	(4.9)%	(1.0)%

Canfor Pulp Products Inc. Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)	As at September 30, 2022	As at December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6.5	\$ 73.3
Accounts receivable - Trade	113.7	66.7
- Other	10.1	9.5
Income taxes receivable	2.2	-
Inventories (Note 2)	207.7	211.8
Prepaid expenses and other	25.2	10.8
Total current assets	365.4	372.1
Property, plant and equipment and intangible assets	490.3	464.8
Right-of-use assets	2.0	2.1
Other long-term assets	6.6	2.7
Total assets	\$ 864.3	\$ 841.7
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 164.7	\$ 147.0
Operating loan (Note 3(a))	15.0	-
Income taxes payable	-	3.1
Current portion of lease obligations	1.0	0.8
Total current liabilities	180.7	150.9
Term debt (Note 3(b))	50.0	50.0
Retirement benefit obligations (Note 4)	45.7	62.9
Lease obligations	1.8	2.1
Other long-term provisions	5.4	7.0
Deferred income taxes, net	81.6	73.8
Total liabilities	\$ 365.2	\$ 346.7
EQUITY		
Share capital	\$ 480.8	\$ 480.8
Retained earnings	18.3	14.2
Total equity	\$ 499.1	\$ 495.0
Total liabilities and equity	\$ 864.3	\$ 841.7

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

APPROVED BY THE BOARD



Director, S.E. Bracken-Horrocks



Director, The Hon. J.R. Baird

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

(millions of Canadian dollars, except per share data, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2022	2021	2022	2021
Sales	\$ 308.3	\$ 298.9	\$ 817.5	\$ 895.6
Costs and expenses				
Manufacturing and product costs	217.7	219.9	634.9	633.3
Freight and other distribution costs	36.8	34.1	105.7	105.2
Amortization	27.5	22.0	71.4	64.7
Selling and administration costs	7.1	7.1	20.4	20.7
	289.1	283.1	832.4	823.9
Operating income (loss)	19.2	15.8	(14.9)	71.7
Finance expense, net	(2.1)	(1.1)	(4.7)	(3.5)
Other income, net	5.2	1.8	6.8	9.4
Net income (loss) before income taxes	22.3	16.5	(12.8)	77.6
Income tax recovery (expense) (Note 5)	(6.0)	(4.4)	3.5	(20.9)
Net income (loss)	\$ 16.3	\$ 12.1	\$ (9.3)	\$ 56.7
Net income (loss) per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 6)	\$ 0.25	\$ 0.19	\$ (0.14)	\$ 0.87

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

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

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 16.3	\$ 12.1	\$ (9.3)	\$ 56.7
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains (losses), net (Note 4)	(2.5)	1.2	18.3	4.9
Income tax recovery (expense) on defined benefit plan actuarial gains (losses), net (Note 5)	0.7	(0.3)	(4.9)	(1.3)
Other comprehensive income (loss), net of tax	(1.8)	0.9	13.4	3.6
Total comprehensive income	\$ 14.5	\$ 13.0	\$ 4.1	\$ 60.3

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2022	2021	2022	2021
Share capital				
Balance at beginning and end of period	\$ 480.8	\$ 480.8	\$ 480.8	\$ 480.8
Retained earnings				
Balance at beginning of period	\$ 3.8	\$ 99.0	\$ 14.2	\$ 51.7
Net income (loss)	16.3	12.1	(9.3)	56.7
Defined benefit plan actuarial gains (losses), net of tax	(1.8)	0.9	13.4	3.6
Balance at end of period	\$ 18.3	\$ 112.0	\$ 18.3	\$ 112.0
Total equity	\$ 499.1	\$ 592.8	\$ 499.1	\$ 592.8

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

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended September 30, 2022		9 months ended September 30, 2021	
Cash generated from (used in):				
Operating activities				
Net income (loss)	\$ 16.3	\$ 12.1	\$ (9.3)	\$ 56.7
Items not affecting cash:				
Amortization	27.5	22.0	71.4	64.7
Income tax expense (recovery) (Note 5)	6.0	4.4	(3.5)	20.9
Employee future benefits expense	0.9	0.9	2.5	2.6
Finance expense, net	2.1	1.1	4.7	3.5
Other, net	0.4	0.6	(0.2)	0.4
Defined benefit plan contributions, net	(0.9)	(0.9)	(2.6)	(2.9)
Income taxes received (paid), net	(0.4)	22.7	(3.6)	22.7
	51.9	62.9	59.4	168.6
Net change in non-cash working capital (Note 7)	(39.1)	(28.3)	(52.7)	(54.5)
	12.8	34.6	6.7	114.1
Financing activities				
Payment of lease obligations	(0.3)	(0.5)	(0.7)	(0.9)
Operating loan drawings (Note 3(a))	15.0	-	15.0	-
Finance expenses paid	(1.7)	(0.7)	(3.4)	(2.1)
	13.0	(1.2)	10.9	(3.0)
Investing activities				
Additions to property, plant and equipment and intangible assets, net	(28.5)	(14.3)	(84.6)	(62.7)
Other, net	0.1	0.5	0.2	0.5
	(28.4)	(13.8)	(84.4)	(62.2)
Increase (decrease) in cash and cash equivalents*	(2.6)	19.6	(66.8)	48.9
Cash and cash equivalents at beginning of period*	9.1	36.1	73.3	6.8
Cash and cash equivalents at end of period*	\$ 6.5	\$ 55.7	\$ 6.5	\$ 55.7

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

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

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

Three and nine months ended September 30, 2022 and 2021
(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 September 30, 2022 and October 27, 2022, 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, 2021, available at www.canfor.com or www.sedar.com.

These financial statements were authorized for issue by the Company's Board of Directors on October 27, 2022.

2. Inventories

(millions of Canadian dollars, unaudited)	As at September 30, 2022	As at December 31, 2021
Pulp	\$ 74.9	\$ 75.2
Paper	29.3	22.5
Wood chips and logs	41.5	55.6
Materials and supplies	62.0	58.5
	\$ 207.7	\$ 211.8

The above inventory balances are stated at the lower of cost and net realizable value. For the three months ended September 30, 2022, a \$1.1 million inventory write-down recovery was recognized (nine months ended September 30, 2022 – \$1.7 million write-down recovery, net). For the three months ended September 30, 2021, a \$3.5 million inventory write-down expense was recognized (nine months ended September 30, 2021 – \$1.3 million write-down expense, net). At September 30, 2022, an inventory provision of \$2.9 million has been recognized for woodchips and logs (December 31, 2021 – \$4.6 million).

3. Operating Loan and Term Debt

(a) Available Operating Loan

(millions of Canadian dollars, unaudited)	As at September 30, 2022	As at December 31, 2021
Operating loan facility	\$ 110.0	\$ 110.0
Letters of credit	(12.9)	(12.9)
Operating loan facility drawn	(15.0)	-
Total available operating loan facility	\$ 82.1	\$ 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 operating loan facility is repayable on December 15, 2025 and has certain financial covenants, including a maximum debt to total capitalization ratio. At September 30, 2022, 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 September 30, 2022, the Company was fully in compliance

with all covenants relating to its term debt. The term debt is repayable on December 15, 2024 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 September 30, 2022, actuarial losses of \$2.5 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 nine months ended September 30, 2022, actuarial gains of \$18.3 million (before tax) were recognized in other comprehensive income (loss).

For the three months ended September 30, 2021, actuarial gains of \$1.2 million (before tax) were recognized in other comprehensive income (loss), reflecting a higher than anticipated return on plan assets. For the nine months ended September 30, 2021, actuarial gains of \$4.9 million (before tax) were recognized in other comprehensive income (loss).

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

	Defined Benefit Pension Plans	Other Benefit Plans
September 30, 2022	4.8%	4.8%
June 30, 2022	5.0%	5.0%
December 31, 2021	3.0%	3.0%
September 30, 2021	3.0%	3.0%
June 30, 2021	3.0%	3.0%
December 31, 2020	2.7%	2.7%

5. Income Taxes

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

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2022	2021	2022	2021
Current	\$ (0.2)	\$ (12.7)	\$ 6.2	\$ (17.7)
Deferred	(5.8)	8.3	(2.7)	(3.2)
Income tax recovery (expense)	\$ (6.0)	\$ (4.4)	\$ 3.5	\$ (20.9)

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,		9 months ended September 30,	
	2022	2021	2022	2021
Income tax recovery (expense) at statutory rate of 27.0% (2021 – 27.0%)	\$ (6.1)	\$ (4.5)	\$ 3.4	\$ (21.0)
Add: Entities with different income tax rates and other tax adjustments	0.1	0.1	0.1	0.1
Income tax recovery (expense)	\$ (6.0)	\$ (4.4)	\$ 3.5	\$ (20.9)

In addition to the amounts recorded to net income (loss), a tax recovery of \$0.7 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 September 30, 2022 (three months ended September 30, 2021 – tax expense of \$0.3 million related to actuarial gains). For the nine months ended September 30, 2022, a tax expense of \$4.9 million related to actuarial gains on the Company's defined benefit plans was recorded to other comprehensive income (loss) (nine months ended September 30, 2021 – \$1.3 million).

6. Earnings (Loss) Per Common Share

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

	3 months ended September 30,		9 months ended September 30,	
	2022	2021	2022	2021
Weighted average number of common shares	65,233,559	65,233,559	65,233,559	65,233,559

As at September 30, 2022 and October 27, 2022, there were 65,233,559 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

7. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2022	2021	2022	2021
Accounts receivable	\$ (27.0)	\$ (9.9)	\$ (47.6)	\$ (35.6)
Inventories	9.3	(6.2)	4.1	(45.0)
Prepaid expenses and other	(15.2)	(3.4)	(13.7)	4.7
Accounts payable and accrued liabilities	(6.2)	(8.8)	4.5	21.4
Net change in non-cash working capital	\$ (39.1)	\$ (28.3)	\$ (52.7)	\$ (54.5)

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 September 30, 2022					
Sales from contracts with customers	\$ 258.9	\$ 49.4	\$ -	\$ -	\$ 308.3
Sales to other segments	34.7	-	-	(34.7)	-
Operating income (loss)	18.6	4.1	(3.5)	-	19.2
Amortization	26.9	0.5	0.1	-	27.5
Capital expenditures¹	27.8	-	0.7	-	28.5
3 months ended September 30, 2021					
Sales from contracts with customers	\$ 255.6	\$ 43.3	\$ -	\$ -	\$ 298.9
Sales to other segments	27.9	-	-	(27.9)	-
Operating income (loss)	22.1	(2.5)	(3.8)	-	15.8
Amortization	21.3	0.6	0.1	-	22.0
Capital expenditures ¹	13.4	0.4	0.5	-	14.3
9 months ended September 30, 2022					
Sales from contracts with customers	\$ 672.1	\$ 145.4	\$ -	\$ -	\$ 817.5
Sales to other segments	91.0	-	-	(91.0)	-
Operating income (loss)	(21.8)	16.3	(9.4)	-	(14.9)
Amortization	69.8	1.5	0.1	-	71.4
Capital expenditures¹	82.4	0.6	1.6	-	84.6
Identifiable assets	769.1	69.0	26.2	-	864.3
9 months ended September 30, 2021					
Sales from contracts with customers	\$ 772.3	\$ 123.3	\$ -	\$ -	\$ 895.6
Sales to other segments	77.5	-	-	(77.5)	-
Operating income (loss)	79.4	2.6	(10.3)	-	71.7
Amortization	62.6	2.0	0.1	-	64.7
Capital expenditures ¹	61.0	0.4	1.3	-	62.7
Identifiable assets	873.6	54.3	67.4	-	995.3

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 September 30,				9 months ended September 30,			
	2022		2021		2022		2021	
Sales by location of customer								
Canada	8%	\$ 23.3	6%	\$ 19.3	8%	\$ 61.6	6%	\$ 56.0
Asia	63%	194.9	64%	191.4	61%	501.9	68%	608.5
United States	22%	69.1	21%	63.9	23%	190.3	19%	172.3
Europe	5%	13.8	6%	16.6	5%	40.5	4%	36.1
Other	2%	7.2	3%	7.7	3%	23.2	3%	22.7
	100%	\$ 308.3	100%	\$ 298.9	100%	\$ 817.5	100%	\$ 895.6

9. Related Party Transactions

For the nine months ended September 30, 2022, the Company depended on Canfor to provide approximately 56% (nine months ended September 30, 2021 – 61%) 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, 2021 audited consolidated financial statements of CPPI and are based on agreed-upon amounts between the parties.

The current market-based pricing under one of the Company's Fibre Supply Agreements with Canfor expired on June 30, 2021. The Company and Canfor agreed to extend the pricing agreement with terms currently under review and expected to be finalized in 2022.

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 September 30,		9 months ended September 30,	
	2022		2021	
Transactions				
Purchase of wood chips and other	\$ 47.4	\$ 57.9	\$ 135.7	\$ 170.8
			As at	As at
			September 30,	December 31,
			2022	2021
Balance Sheet				
Included in accounts payable and accrued liabilities	\$ 17.6		\$ 16.0	