



2021

QUARTER THREE

INTERIM REPORT

FOR THE THREE MONTHS ENDED SEPT. 30, 2021

CANFOR PULP PRODUCTS INC.

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To Our Shareholders

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

Overview

- Q3 2021 reported operating income of \$16 million
- Net income of \$12 million, or \$0.19 per share
- Available liquidity of \$153 million at September 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)	Q3 2021	Q2 2021	YTD 2021	Q3 2020	YTD 2020
Sales	\$ 298.9	\$ 334.3	\$ 895.6	\$ 226.4	\$ 752.7
Reported operating income (loss) before amortization	\$ 37.8	\$ 72.9	\$ 136.4	\$ (8.7)	\$ 32.3
Reported operating income (loss)	\$ 15.8	\$ 51.0	\$ 71.7	\$ (27.6)	\$ (27.8)
Adjusted operating income (loss) before amortization ¹	\$ 41.3	\$ 72.9	\$ 137.7	\$ (11.7)	\$ 26.8
Adjusted operating income (loss) ¹	\$ 19.3	\$ 51.0	\$ 73.0	\$ (30.6)	\$ (33.3)
Net income (loss)	\$ 12.1	\$ 36.2	\$ 56.7	\$ (18.1)	\$ (12.2)
Net income (loss) per share, basic and diluted	\$ 0.19	\$ 0.55	\$ 0.87	\$ (0.28)	\$ (0.19)

¹ Adjusted for inventory write-downs and recoveries (\$3.5 million write-down in Q3 2021, \$1.3 million net write-down in YTD 2021, \$3.0 million recovery in Q3 2020, \$5.5 million net recovery in YTD 2020).

The Company reported operating income of \$15.8 million for the third quarter of 2021, down \$35.2 million from operating income of \$51.0 million reported for the second quarter of 2021, as a modest uplift in Northern Bleached Softwood Kraft ("NBSK") pulp unit sales realizations was more than offset by a 15% decline in pulp production and shipments quarter-over-quarter.

Following the strong global pulp market conditions experienced in the first half of the year, market fundamentals came under modest pressure in the current quarter, as a decline in demand and purchasing activity from the near-record highs seen in the previous quarter, particularly from Asian markets, was combined with growing global transportation challenges. Global softwood pulp producer levels ended August at 46 days of supply, six days higher than at the end of June, and significantly above the balanced range. As a result, average US-dollar NBSK pulp list prices to China for the current quarter were US\$832 per tonne, down US\$130 per tonne, or 14%, from the previous quarter. Prices to other global regions remained strong in the current period, with the average US-dollar NBSK pulp list price to North America at US\$1,542 per tonne (before discounts), down US\$56 per tonne, or 4%, from the near-record highs seen in comparative period.

Notwithstanding the declines in NBSK pulp list prices, the Company's NBSK pulp unit sales realizations experienced a modest increase quarter-over-quarter, primarily due to a delay in shipments (versus orders) from the ongoing global container shortages and logistic challenges, and, to a lesser extent, a 2 cent, or 2%, weaker Canadian dollar. The downward trend in demand and US-dollar prices for Bleached Chemi-Thermo Mechanical Pulp ("BCTMP"), particularly from the printing and writing segment, that commenced in the second quarter continued through the current period, giving rise to a significant decline in the Company's BCTMP unit sales realizations quarter-over-quarter.

Pulp production was 247,000 tonnes for the third quarter of 2021, down 43,000 tonnes, or 15%, from the previous quarter, primarily reflecting the quarter-over-quarter impact of scheduled and unscheduled downtime. In the current quarter, decreased operating days largely reflected scheduled maintenance outages at the Company's Prince George NBSK pulp and Taylor BCTMP ("Taylor") mills, as well as incremental downtime at its Northwood NBSK pulp ("Northwood") and Taylor mills reflecting both weather-related rail disruptions and related pulp mill inventory capacity constraints and, in the case of Northwood, digester-related operational upsets in July. Combined, decreased operating days in the current period reduced NBSK pulp production by approximately 30,000 tonnes and BCTMP production by 12,000 tonnes. In addition, current quarter pulp production reflected various smaller operational upsets through the quarter (approximately 15,000 tonnes). In the second quarter of 2021, the Company's pulp

production was impacted by the completion of a scheduled maintenance outage at the Company's Intercontinental NBSK pulp mill (approximately 15,000 tonnes).

Pulp shipments were down 44,000 tonnes, or 15%, from the previous quarter, mainly due to the aforementioned decrease in pulp production quarter-over-quarter, combined with a build in pulp inventories, driven by the persistent impacts of a constrained logistics network, due to both wildfire-related rail disruptions in British Columbia in July as well as global container shortages and port congestion.

Pulp unit manufacturing costs were significantly higher than the prior quarter principally reflecting increased fibre costs and reduced production in the current quarter. The higher fibre costs were primarily due to increased market prices for sawmill delivered residual chips (linked to Canadian dollar NBSK pulp sales realizations) combined with a larger proportion of higher-cost whole log chips as a result of sawmill curtailments in the current quarter.

The Company's paper segment reported an operating loss of \$2.5 million, down \$3.4 million from the operating income of \$0.9 million for the previous quarter, as increased slush pulp costs, linked to higher Canadian dollar NBSK pulp market prices, and reduced paper production, as a result of scheduled maintenance downtime, more than offset improved paper unit sales realizations and a weaker Canadian dollar.

Looking forward, global softwood kraft pulp markets are anticipated to be more challenging through the fourth quarter of 2021, as above-average global pulp inventory levels and a heavily congested global supply chain network are projected to combine with softening Chinese demand. The latter, largely tied to the energy constraints on the industrial segment in that region. Weakness experienced in the high yield BCTMP market, especially in Asia, through the third quarter is anticipated to continue through the balance of the year.

Bleached kraft paper demand in North America is currently anticipated to strengthen through the fourth quarter of 2021, driven by both tight supply and increased demand. Offshore bleached kraft paper markets are also anticipated to be strong over the same period.



The Honourable John R. Baird
Chairman



Don B. Kayne
Chief Executive Officer

Canfor Pulp Products Inc.
Third 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 September 30, 2021 relative to the quarters ended June 30, 2021 and September 30, 2020, and the financial position of the Company at September 30, 2021. It should be read in conjunction with CPPI's unaudited interim consolidated financial statements and accompanying notes for the quarters ended, September 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 third 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 October 26, 2021.

Forward Looking Statements

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

THIRD QUARTER 2021 OVERVIEW

Selected Financial Information and Statistics

(millions of Canadian dollars, except ratios)	Q3 2021	Q2 2021	YTD 2021	Q3 2020	YTD 2020
Operating income (loss) by segment:					
Pulp	\$ 22.1	\$ 53.6	\$ 79.4	\$ (29.3)	\$ (40.2)
Paper	\$ (2.5)	\$ 0.9	\$ 2.6	\$ 5.0	\$ 19.2
Unallocated	\$ (3.8)	\$ (3.5)	\$ (10.3)	\$ (3.3)	\$ (6.8)
Total operating income (loss)	\$ 15.8	\$ 51.0	\$ 71.7	\$ (27.6)	\$ (27.8)
Add: Amortization ¹	\$ 22.0	\$ 21.9	\$ 64.7	\$ 18.9	\$ 60.1
Total operating income (loss) before amortization	\$ 37.8	\$ 72.9	\$ 136.4	\$ (8.7)	\$ 32.3
Add (deduct):					
Working capital movements	\$ (28.3)	\$ (11.0)	\$ (54.5)	\$ (12.4)	\$ 7.8
Defined benefit plan contributions, net	\$ (0.9)	\$ (0.9)	\$ (2.9)	\$ (0.3)	\$ (2.7)
Income taxes received (paid)	\$ 22.7	\$ 0.3	\$ 22.7	\$ (0.2)	\$ 29.1
Other operating cash flows, net	\$ 3.3	\$ 0.9	\$ 12.4	\$ 5.2	\$ 18.5
Cash from (used in) operating activities	\$ 34.6	\$ 62.2	\$ 114.1	\$ (16.4)	\$ 85.0
Add (deduct):					
Capital additions, net	\$ (14.3)	\$ (15.4)	\$ (62.7)	\$ (8.1)	\$ (39.1)
Dividends paid	\$ -	\$ -	\$ -	\$ -	\$ (4.1)
Other, net	\$ (0.7)	\$ (0.9)	\$ (2.5)	\$ (0.7)	\$ (3.0)
Change in cash / operating loans	\$ 19.6	\$ 45.9	\$ 48.9	\$ (25.2)	\$ 38.8
ROIC – Consolidated period-to-date ²	2.1%	6.6%	10.5%	(3.1)%	(1.7)%
Average exchange rate (US\$ per C\$1.00)³	\$ 0.794	\$ 0.814	\$ 0.799	\$ 0.751	\$ 0.739

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 \$15.8 million for the third quarter of 2021, down \$35.2 million from operating income of \$51.0 million reported for the second quarter of 2021, as a modest uplift in Northern Bleached Softwood Kraft ("NBSK") pulp unit sales realizations was more than offset by a 15% decline in pulp production and shipments quarter-over-quarter.

Compared to the third quarter of 2020, operating results in the current quarter improved by \$43.4 million, as substantially higher US-dollar NBSK pulp list pricing and an 9% increase in pulp production quarter-over-quarter, significantly outweighed a 4 cent, or 6 %, stronger Canadian dollar in the current period.

OPERATING RESULTS BY BUSINESS SEGMENT

Pulp

Selected Financial Information and Statistics – Pulp

(millions of Canadian dollars, unless otherwise noted)	Q3 2021	Q2 2021	YTD 2021	Q3 2020	YTD 2020
Sales	\$ 255.6	\$ 296.9	\$ 772.3	\$ 191.9	\$ 630.8
Operating income (loss) before amortization ⁴	\$ 43.4	\$ 74.8	\$ 142.0	\$ (11.2)	\$ 17.7
Operating income (loss)	\$ 22.1	\$ 53.6	\$ 79.4	\$ (29.3)	\$ (40.2)
Inventory write-down (recovery)	\$ 3.5	\$ -	\$ 1.3	\$ (3.0)	\$ (5.5)
Adjusted operating income (loss)	\$ 25.6	\$ 53.6	\$ 80.7	\$ (32.3)	\$ (45.7)
Average NBSK pulp price delivered to China – US\$ ⁵	\$ 832	\$ 962	\$ 892	\$ 572	\$ 572
Average NBSK pulp price delivered to China – Cdn\$ ⁵	\$ 1,048	\$ 1,181	\$ 1,116	\$ 761	\$ 774
Production – pulp (000 mt)	247	290	829	227	785
Shipments – pulp (000 mt)	241	285	791	249	787

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 strong global pulp market conditions experienced in the first half of the year, market fundamentals came under modest pressure in the current quarter, as a decline in demand and purchasing activity from the near-record highs seen in the previous quarter, particularly from Asian markets, was combined with growing global transportation challenges. Average US-dollar NBSK pulp list prices to China for the current quarter were US\$832 per tonne, down US\$130 per tonne, or 14%, from the previous quarter and up US\$260 per tonne, or 45%, compared to the third quarter of 2020. Prices to other global regions remained strong in the current period, with the average US-dollar NBSK pulp list price to North America at US\$1,542 per tonne (before discounts), down US\$56 per tonne, or 4%, from the near-record highs seen in comparative period, and up US\$409 per tonne, or 36%, compared to the same period in the prior year.

Global softwood pulp producer inventories at the end of August 2021 were significantly above the balanced range at 46 days⁶ of supply, six days higher than at the end of June 2021 (market conditions are generally considered balanced when inventories are in the 29-36 days of supply range), as tepid demand, especially in China, was intensified by global supply chain disruptions.

Sales

The Company's pulp shipments for the third quarter of 2021 were 241,000 tonnes, down 44,000 tonnes, or 15%, from the previous quarter and down 8,000 tonnes, or 3%, from the third quarter of 2020. Pulp shipments in the current quarter largely reflected a 15% decrease in pulp production combined with a build in pulp inventories, driven by the persistent impacts of a constrained logistics network, due to both wildfire-related rail disruptions in British Columbia in July as well as global container shortages and port congestion.

Compared to the third quarter of 2020, the decrease in pulp shipments was primarily driven by the timing of vessels quarter-over-quarter, with significant vessel delays experienced in the current period driven by the aforementioned global supply chain constraints, resulting in a build of pulp inventories. This was combined with a drawdown in pulp inventories in the comparative period, offset in part by higher production levels in the current quarter.

Notwithstanding the declines in NBSK pulp list prices in the current quarter, the Company's NBSK pulp unit sales realizations experienced a modest increase compared to the second quarter of 2021, primarily due to a delay in shipments (versus orders) from the ongoing global container shortages and logistic challenges, and, to a lesser extent, a 2 cent, or 2%, weaker Canadian dollar. The downward trend in demand and US-dollar prices for Bleached Chemi-Thermo Mechanical Pulp ("BCTMP"), particularly from the printing and writing segment, that commenced in the second quarter of 2021 continued through the current period, giving rise to a significant decline in the Company's BCTMP unit sales realizations quarter-over-quarter.

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").

Compared to the third quarter of 2020, average NBSK pulp unit sales realizations saw a substantial increase, as a notable uptick in demand and US-dollar pulp list pricing significantly outweighed the stronger Canadian dollar in the current period. Average BCTMP unit sales realizations were moderately higher compared to the comparative period, primarily reflecting a more modest improvement (relative to NBSK pulp) in BCTMP demand and prices.

Energy revenues increased compared to the second quarter of 2021, principally due to seasonally higher power prices, offset in part by reduced turbine operating days in the current period, largely due to production downtime at the Company's Northwood NBSK ("Northwood") pulp mill. Compared to the third quarter of 2020, higher energy revenue was primarily due to the quarter-over-quarter production improvements and the correlated uplift in energy generation.

Operations

Pulp production was 247,000 tonnes for the third quarter of 2021, down 43,000 tonnes, or 15%, from the previous quarter, primarily reflecting the quarter-over-quarter impact of scheduled and unscheduled downtime. In the current quarter, decreased operating days largely reflected scheduled maintenance outages at the Company's Prince George NBSK pulp ("PG") and Taylor BCTMP ("Taylor") mills, as well as incremental downtime at its Northwood and Taylor mills reflecting both weather-related rail disruptions and related pulp mill inventory capacity constraints and, in the case of Northwood, digester-related operational upsets in July. Combined, decreased operating days in the current period reduced NBSK pulp production by approximately 30,000 tonnes and BCTMP production by 12,000 tonnes. In addition, current quarter pulp production reflected various smaller operational upsets through the quarter (approximately 15,000 tonnes). In the second quarter of 2021, the Company's pulp production was impacted by the completion of a scheduled maintenance outage at the Company's Intercontinental NBSK pulp mill (approximately 15,000 tonnes).

Compared to the third quarter of 2020, pulp production was up 20,000 tonnes, or 9%, primarily driven by reduced downtime in the current quarter. In the comparative period, coronavirus ("COVID-19") related production curtailments at the Company's PG and Intercontinental NBSK pulp mills reduced pulp production by 38,000 tonnes. This was combined with a scheduled maintenance outage at Taylor, which reduced BCTMP production by 10,000 tonnes, and, to a lesser extent, several operational issues at the PG pulp mill. Lastly, in September 2020, Northwood commenced its scheduled maintenance outage, which was completed on one production line in early October 2020; this outage reduced pulp production by 20,000 tonnes in the third quarter of 2020 and by a further 15,000 tonnes in October 2020.

Pulp unit manufacturing costs were significantly higher than the prior quarter principally reflecting increased fibre costs and reduced production in the current quarter. The higher fibre costs were primarily due to increased market prices for sawmill delivered residual chips (linked to Canadian dollar NBSK pulp sales realizations) combined with 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 2020, moderately higher pulp unit manufacturing costs were mostly attributable to market-related increases in fibre costs, and, to a lesser extent, increased energy costs and higher maintenance spend in the current period, offset in part, by increased production.

Paper

Selected Financial Information and Statistics – Paper

(millions of Canadian dollars unless otherwise noted)	Q3 2021	Q2 2021	YTD 2021	Q3 2020	YTD 2020
Sales	\$ 43.3	\$ 37.4	\$ 123.3	\$ 34.5	\$ 121.9
Operating income (loss) before amortization ⁷	\$ (1.9)	\$ 1.6	\$ 4.6	\$ 5.7	\$ 21.3
Operating income (loss)	\$ (2.5)	\$ 0.9	\$ 2.6	\$ 5.0	\$ 19.2
Production – paper (000 mt)	31	34	94	24	87
Shipments – paper (000 mt)	34	30	100	27	97

⁷ Amortization includes amortization of certain capitalized major maintenance costs.

Markets

Global kraft paper market demand was steady through most of the third quarter of 2021, especially in North America.

Sales

The Company's paper shipments in the third quarter of 2021 were 34,000 tonnes, up 4,000 tonnes from the prior quarter, largely due to the timing of shipments quarter-over-quarter, offset in part by reduced paper production in the current period, tied to planned scheduled downtime. Compared to the third quarter of 2020, paper shipments increased 7,000 tonnes principally reflecting the COVID-19 related paper production curtailment in the comparative period.

Paper unit sales realizations in the third quarter of 2021 were modestly higher than the previous quarter, as a slight uptick in US-dollar pricing was combined with the 2% weaker Canadian dollar. Compared to the third quarter of 2020, paper unit sales realizations experienced a slight increase, primarily reflecting a notable improvement in global US-dollar prices quarter-over-quarter, largely offset by the 6% stronger Canadian dollar.

Operations

Paper production for the third quarter of 2021 was 31,000 tonnes, down 3,000 tonnes from the previous quarter, principally reflecting the PG pulp and paper mill's scheduled maintenance outage in the current quarter. Compared to the third quarter of 2020, paper production was up 7,000 tonnes primarily due to the quarter-over-quarter impact of downtime in both periods.

Paper unit manufacturing costs were significantly higher than the second quarter of 2021, largely reflecting the impact of the aforementioned scheduled outage combined with increased slush pulp costs associated with higher average NBSK pulp sales realizations in the current quarter. Compared to the third quarter of 2020, paper unit manufacturing costs 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)	Q3 2021	Q2 2021	YTD 2021	Q3 2020	YTD 2020
Corporate costs	\$ (3.8)	\$ (3.5)	\$ (10.3)	\$ (3.3)	\$ (6.8)
Finance expense, net	\$ (1.1)	\$ (1.2)	\$ (3.5)	\$ (1.1)	\$ (4.0)
Other income (expense), net	\$ 1.8	\$ (0.1)	\$ 9.4	\$ 4.0	\$ 15.1

Corporate costs were \$3.8 million for the third quarter of 2021, up \$0.3 million from the previous quarter and up \$0.5 million from the third quarter of 2020, largely reflecting a slight increase in head office and general administrative expenses in the current period.

Net finance expense for the third quarter of 2021, at \$1.1 million, was broadly in line with both comparative periods.

Other income, net, of \$1.8 million in the third quarter of 2021 principally related to favourable foreign exchange movements on US-dollar denominated working capital balances. Other income, net, in the third quarter of 2020 primarily reflected the receipt of insurance proceeds related to unscheduled downtime at Northwood in 2018 to enable the necessary tube replacements to its number five recovery boiler ("RB5").

Other Comprehensive Income (Loss)

In the third quarter of 2021, the Company recorded a gain of \$1.2 million (before tax) related to changes in the valuation of the Company's defined benefit plans (comprised of defined benefit pension plans as well as other benefit plans), largely reflecting a higher than anticipated return on plan assets. This compared to a loss of \$2.9 million (before tax) in the second quarter of 2021, 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. In the third quarter of 2020, the Company recorded a loss of \$4.2 million (before tax) related to changes in the valuation of the Company's defined benefit plans, largely reflecting a 0.3% decrease in the discount rate, offset in part by 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 2021	Q2 2021	YTD 2021	Q3 2020	YTD 2020
Increase (decrease) in cash and cash equivalents	\$ 19.6	\$ 30.9	\$ 48.9	\$ (25.2)	\$ 24.8
Operating activities	\$ 34.6	\$ 62.2	\$ 114.1	\$ (16.4)	\$ 85.0
Financing activities	\$ (1.2)	\$ (15.9)	\$ (3.0)	\$ (0.9)	\$ (21.5)
Investing activities	\$ (13.8)	\$ (15.4)	\$ (62.2)	\$ (7.9)	\$ (38.7)
Ratio of current assets to current liabilities		2.4 : 1	1.8 : 1		2.4 : 1
Net debt (cash) to capitalization ⁸		2.3%	(1.0)%		3.4%
ROIC – Consolidated period-to-date	2.1%	6.6%	10.5%	(3.1)%	(1.7)%

⁸ Net cash to capitalization is equal to net cash divided by net capitalization. Net cash 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 third quarter of 2021 was \$34.6 million, compared to \$62.2 million in the second quarter of 2021 and cash used of \$16.4 million in the third quarter of 2020. The \$27.6 million decrease in operating cash flows compared to the second quarter of 2021 was largely due to lower cash earnings in the current period combined with increased accounts receivable and finished pulp inventory at the end of the current quarter, offset, in part, by income tax refunds received. Compared to the third quarter of 2020, the \$51.0 million increase in operating cash flows was principally driven by higher cash earnings and income tax refunds received in the current period, partially offset by unfavourable changes in non-cash working capital quarter-over-quarter.

Financing Activities

Cash used for financing activities in the third quarter of 2021 was \$1.2 million compared to \$15.9 million in the second quarter of 2021 and \$0.9 million in the third quarter of 2020. Cash used for financing activities in the current quarter primarily reflected financing fees associated with letters of credit. Financing activities in the second quarter of 2021 principally related to a \$15.0 million repayment of the Company's principal operating loan facility. Cash used for financing activities in the third quarter of 2020 primarily reflected interest expense associated with the Company's term loan and financing fees associated with letters of credit.

Investing Activities

Cash used for investing activities in the current and prior quarter was primarily comprised of maintenance-of-business capital spending. In the third quarter of 2020, cash used for investing activities largely reflected the construction of a raw water treatment plant at the Company's Intercontinental NBSK pulp mill, which was completed at the end of 2020, as well as maintenance of business capital.

Liquidity and Financial Requirements

At September 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.

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. 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.

At September 30, 2021, the Company had net cash of \$5.7 million and available liquidity of \$152.8 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.

OUTLOOK

Pulp and Paper Markets

Looking forward, global softwood kraft pulp markets are anticipated to be more challenging through the fourth quarter of 2021, as above-average global pulp inventory levels and a heavily congested global supply chain network are projected to combine with softening Chinese demand. The latter, largely tied to the energy constraints on the industrial segment in that region. Weakness experienced in the high yield BCTMP market, especially in Asia, through the third quarter is anticipated to continue through the balance of the year.

Bleached kraft paper demand in North America is currently anticipated to strengthen through the fourth quarter of 2021, driven by both tight supply and increased demand. Offshore bleached kraft paper markets are also anticipated to be strong over the same period.

OUTSTANDING SHARES

As at September 30, 2021 and October 26, 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 September 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 September 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.

In the third quarter of 2021, there have been no adverse impacts of COVID-19 on the Company. 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

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Sales and income (loss) (millions of Canadian dollars)								
Sales	\$ 298.9	\$ 334.3	\$ 262.4	\$ 237.8	\$ 226.4	\$ 250.7	\$ 275.6	\$ 247.5
Operating income (loss) before amortization	\$ 37.8	\$ 72.9	\$ 25.7	\$ (6.2)	\$ (8.7)	\$ 13.3	\$ 27.7	\$ 0.1
Operating income (loss)	\$ 15.8	\$ 51.0	\$ 4.9	\$ (28.3)	\$ (27.6)	\$ (6.3)	\$ 6.1	\$ (23.5)
Net income (loss)	\$ 12.1	\$ 36.2	\$ 8.4	\$ (10.2)	\$ (18.1)	\$ (1.1)	\$ 7.0	\$ (19.5)
Per common share (Canadian dollars)								
Net income (loss) – basic and diluted	\$ 0.19	\$ 0.55	\$ 0.13	\$ (0.16)	\$ (0.28)	\$ (0.02)	\$ 0.11	\$ (0.30)
Book value ⁹	\$ 9.09	\$ 8.89	\$ 8.37	\$ 8.16	\$ 8.25	\$ 8.57	\$ 8.66	\$ 8.56
Dividends declared	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.0625
Statistics								
Pulp shipments (000 mt)	241	285	265	258	249	248	290	267
Paper shipments (000 mt)	34	30	37	35	27	36	34	26
Average exchange rate – US\$/Cdn\$	\$ 0.794	\$ 0.814	\$ 0.790	\$ 0.767	\$ 0.751	\$ 0.722	\$ 0.744	\$ 0.758
Average NBSK pulp list price delivered to China (US\$)	\$ 832	\$ 962	\$ 883	\$ 637	\$ 572	\$ 572	\$ 573	\$ 563

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.

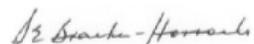
Canfor Pulp Products Inc. Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)	As at September 30, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 55.7	\$ 6.8
Accounts receivable - Trade	107.3	64.3
- Other	6.1	13.6
Income taxes receivable	-	26.0
Inventories (Note 2)	233.5	188.5
Prepaid expenses and other	14.7	18.6
Total current assets	417.3	317.8
Property, plant and equipment and intangible assets		
Right-of-use assets	2.4	2.0
Other long-term assets	2.9	6.5
Total assets	\$ 995.3	\$ 920.8
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 163.8	\$ 161.6
Current portion of term debt (Note 3(b))	50.0	-
Income taxes payable	11.5	-
Current portion of lease obligations	1.0	1.0
Total current liabilities	226.3	162.6
Term debt (Note 3(b))	-	50.0
Retirement benefit obligations (Note 4)	66.4	70.4
Lease obligations	2.1	1.5
Other long-term provisions	8.0	8.7
Deferred income taxes, net	99.7	95.1
Total liabilities	\$ 402.5	\$ 388.3
EQUITY		
Share capital	\$ 480.8	\$ 480.8
Retained earnings	112.0	51.7
Total equity	\$ 592.8	\$ 532.5
Total liabilities and equity	\$ 995.3	\$ 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 September 30,		9 months ended September 30,	
	2021	2020	2021	2020
Sales	\$ 298.9	\$ 226.4	\$ 895.6	\$ 752.7
Costs and expenses				
Manufacturing and product costs	219.9	196.4	633.3	599.9
Freight and other distribution costs	34.1	32.0	105.2	103.3
Amortization	22.0	18.9	64.7	60.1
Selling and administration costs	7.1	6.7	20.7	17.2
	283.1	254.0	823.9	780.5
Operating income (loss)	15.8	(27.6)	71.7	(27.8)
Finance expense, net	(1.1)	(1.1)	(3.5)	(4.0)
Other income, net (Note 10)	1.8	4.0	9.4	15.1
Net income (loss) before income taxes	16.5	(24.7)	77.6	(16.7)
Income tax recovery (expense) (Note 5)	(4.4)	6.6	(20.9)	4.5
Net income (loss)	\$ 12.1	\$ (18.1)	\$ 56.7	\$ (12.2)
Net income (loss) per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 6)	\$ 0.19	\$ (0.28)	\$ 0.87	\$ (0.19)

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,	
	2021	2020	2021	2020
Net income (loss)	\$ 12.1	\$ (18.1)	\$ 56.7	\$ (12.2)
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains (losses), net (Note 4)	1.2	(4.2)	4.9	(5.4)
Income tax recovery (expense) on defined benefit plan actuarial gains (losses), net (Note 5)	(0.3)	1.2	(1.3)	1.5
Other comprehensive income (loss), net of tax	0.9	(3.0)	3.6	(3.9)
Total comprehensive income (loss)	\$ 13.0	\$ (21.1)	\$ 60.3	\$ (16.1)

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 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	\$ 99.0	\$ 78.4	\$ 51.7	\$ 77.5
Net income (loss)	12.1	(18.1)	56.7	(12.2)
Defined benefit plan actuarial gains (losses), net of tax	0.9	(3.0)	3.6	(3.9)
Dividends declared	-	-	-	(4.1)
Balance at end of period	\$ 112.0	\$ 57.3	\$ 112.0	\$ 57.3
Total equity	\$ 592.8	\$ 538.1	\$ 592.8	\$ 538.1

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

Canfor Pulp Products Inc. Condensed Consolidated Statements of Cash Flows

	3 months ended September 30, 2021		9 months ended September 30, 2021	
(millions of Canadian dollars, unaudited)	2021	2020	2021	2020
Cash generated from (used in):				
Operating activities				
Net income (loss)	\$ 12.1	\$ (18.1)	\$ 56.7	\$ (12.2)
Items not affecting cash:				
Amortization	22.0	18.9	64.7	60.1
Income tax expense (recovery) (Note 5)	4.4	(6.6)	20.9	(4.5)
Employee future benefits expense	0.9	0.9	2.6	2.8
Finance expense, net	1.1	1.1	3.5	4.0
Other, net	0.6	0.3	0.4	0.6
Defined benefit plan contributions, net	(0.9)	(0.3)	(2.9)	(2.7)
Income taxes received (paid), net	22.7	(0.2)	22.7	29.1
	62.9	(4.0)	168.6	77.2
Net change in non-cash working capital (Note 7)	(28.3)	(12.4)	(54.5)	7.8
	34.6	(16.4)	114.1	85.0
Financing activities				
Payment of lease obligations	(0.5)	(0.2)	(0.9)	(0.6)
Operating loan repayments, net (Note 3(a))	-	-	-	(14.0)
Finance expenses paid	(0.7)	(0.7)	(2.1)	(2.8)
Dividends paid	-	-	-	(4.1)
	(1.2)	(0.9)	(3.0)	(21.5)
Investing activities				
Additions to property, plant and equipment and intangible assets, net	(14.3)	(8.1)	(62.7)	(39.1)
Other, net	0.5	0.2	0.5	0.4
	(13.8)	(7.9)	(62.2)	(38.7)
Increase (decrease) in cash and cash equivalents*	19.6	(25.2)	48.9	24.8
Cash and cash equivalents at beginning of period*	36.1	56.0	6.8	6.0
Cash and cash equivalents at end of period*	\$ 55.7	\$ 30.8	\$ 55.7	\$ 30.8

*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 nine months ended September 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 September 30, 2021 and October 26, 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 October 26, 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 September 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 September 30, 2021	As at December 31, 2020
Pulp	\$ 96.4	\$ 55.4
Paper	16.5	20.9
Wood chips and logs	64.5	57.2
Materials and supplies	56.1	55.0
	\$ 233.5	\$ 188.5

The above inventory balances are stated at the lower of cost and net realizable value. 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 net write-down expense). For the three months ended September 30, 2020, a \$3.0 million inventory write-down recovery was recognized (nine months ended September 30, 2020 – \$5.5 million net write-down recovery). At September 30, 2021, an inventory provision of \$3.5 million has been recognized for finished pulp and raw materials (December 31, 2020 – provision of \$2.2 million).

3. Operating Loan and Term Debt

(a) Available Operating Loan

(millions of Canadian dollars, unaudited)	As at September 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 operating loan facility has certain financial covenants, including a maximum debt to total capitalization ratio. At September 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 September 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 September 30, 2021, actuarial gains of \$1.2 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations (comprised of defined benefit pension plans as well as other benefit plans), 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).

For the three months ended September 30, 2020, actuarial losses of \$4.2 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 nine months ended September 30, 2020, actuarial losses of \$5.4 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, 2021	3.0%	3.0%
June 30, 2021	3.0%	3.0%
December 31, 2020	2.7%	2.7%
September 30, 2020	2.7%	2.7%
June 30, 2020	3.0%	3.0%
December 31, 2019	3.0%	3.0%

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,	
	2021	2020	2021	2020
Current	\$ (12.7)	\$ 10.4	\$ (17.7)	\$ 10.4
Deferred	8.3	(3.8)	(3.2)	(5.9)
Income tax recovery (expense)	\$ (4.4)	\$ 6.6	\$ (20.9)	\$ 4.5

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,	
	2021	2020	2021	2020
Income tax recovery (expense) at statutory rate of 27% (2020 – 27%)	\$ (4.5)	\$ 6.7	\$ (21.0)	\$ 4.5
Add: Entities with different income tax rates and other tax adjustments	0.1	(0.1)	0.1	-
Income tax recovery (expense)	\$ (4.4)	\$ 6.6	\$ (20.9)	\$ 4.5

In addition to the amounts recorded to net income (loss), a tax expense of \$0.3 million was recorded to other comprehensive income (loss) in relation to actuarial gains on the Company's defined benefit plans for the three

months ended September 30, 2021 (three months ended September 30, 2020 – recovery of \$1.2 million). For the nine months ended September 30, 2021, a tax expense of \$1.3 million related to actuarial gains on the Company's defined benefit plans was recorded to other comprehensive income (loss) (nine months ended September 30, 2020 – recovery of \$1.5 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 September 30,		9 months ended September 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 September 30, 2021 and October 26, 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 September 30,		9 months ended September 30,	
	2021	2020	2021	2020
Accounts receivable	\$ (9.9)	\$ 1.7	\$ (35.6)	\$ 19.1
Inventories	(6.2)	(6.7)	(45.0)	(5.4)
Prepaid expenses and other	(3.4)	(1.8)	4.7	1.8
Accounts payable and accrued liabilities	(8.8)	(5.6)	21.4	(7.7)
Net change in non-cash working capital	\$ (28.3)	\$ (12.4)	\$ (54.5)	\$ 7.8

8. Segment Information

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

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
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 expenditures¹	13.4	0.4	0.5	-	14.3
3 months ended September 30, 2020					
Sales from contracts with customers	\$ 191.9	\$ 34.5	\$ -	\$ -	\$ 226.4
Sales to other segments	13.7	-	-	(13.7)	-
Operating income (loss)	(29.3)	5.0	(3.3)	-	(27.6)
Amortization	18.1	0.7	0.1	-	18.9
Capital expenditures ¹	8.0	-	0.1	-	8.1
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 expenditures¹	61.0	0.4	1.3	-	62.7
Identifiable assets	873.6	54.3	67.4	-	995.3

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
9 months ended September 30, 2020					
Sales from contracts with customers	\$ 630.8	\$ 121.9	\$ -	\$ -	\$ 752.7
Sales to other segments	52.6	-	-	(52.6)	-
Operating income (loss)	(40.2)	19.2	(6.8)	-	(27.8)
Amortization	57.9	2.1	0.1	-	60.1
Capital expenditures ¹	37.3	1.3	0.5	-	39.1
Identifiable assets	780.7	55.5	55.8	-	892.0

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 September 30,				9 months ended September 30,			
	2021		2020		2021		2020	
Sales by location of customer								
Canada	6%	\$ 19.3	7%	\$ 17.2	6%	\$ 56.0	8%	\$ 61.2
Asia	64%	191.4	58%	131.0	68%	608.5	59%	446.1
United States	21%	63.9	28%	63.6	19%	172.3	26%	192.6
Europe	6%	16.6	4%	8.2	4%	36.1	4%	28.9
Other	3%	7.7	3%	6.4	3%	22.7	3%	23.9
	100%	\$ 298.9	100%	\$ 226.4	100%	\$ 895.6	100%	\$ 752.7

9. Related Party Transactions

For the nine months ended September 30, 2021, the Company depended on Canfor to provide approximately 61% (nine months ended September 30, 2020 – 69%) 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 September 30,		9 months ended September 30,	
	2021		2020	
Transactions				
Purchase of wood chips and other	\$ 57.9	\$ 76.2	\$ 170.8	\$ 194.6

(millions of Canadian dollars, unaudited)	As at September 30, 2021	As at December 31, 2020
Balance Sheet		
Included in accounts payable and accrued liabilities	\$ 23.0	\$ 16.7

10. Other Income, Net

During the nine months ended September 30, 2021, the Company received insurance proceeds of \$8.8 million (nine months ended September 30, 2020 – \$15.2 million) related to Northwood pulp mill's number five recovery boiler ("RB5") outage in 2018, included as a component of 'Other income, net' on the condensed consolidated statement of income (loss). During the three months ended September 30, 2021, no insurance proceeds were received (three months ended September 30, 2020 – \$5.2 million).

11. Contingencies

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