

FOR IMMEDIATE RELEASE

CANFOR PULP PRODUCTS INC. ANNOUNCES 2018 AND FOURTH QUARTER OF 2018 RESULTS AND QUARTERLY DIVIDEND

February 21, 2019 - Vancouver, B.C. - Canfor Pulp Products Inc. ("CPPI") (TSX: CFX) today reported 2018 and fourth quarter of 2018 results and quarterly dividend:

2018 and Fourth Quarter Highlights

- Record 2018 operating income of \$247 million; net income of \$184 million, or \$2.83 per share and a return on invested capital of 37%
- Record-high annual sales of \$1.4 billion in 2018, surpassing previous record by 15%
- Fourth quarter operating income of \$16 million and sales of \$290 million; net income of \$14 million, or \$0.21 per share

Financial Results

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

(millions of Canadian dollars, except per share amounts)	Q4 2018	Q3 2018	YTD 2018	Q4 2017	YTD 2017
Sales	\$ 289.7	\$ 328.5	\$ 1,374.3	\$ 257.8	\$ 1,197.9
Operating income before amortization	\$ 36.1	\$ 80.7	\$ 326.2	\$ 42.1	\$ 229.0
Operating income	\$ 15.6	\$ 60.5	\$ 246.6	\$ 22.9	\$ 154.6
Net income	\$ 14.2	\$ 42.9	\$ 184.4	\$ 45.2	\$ 102.1
Net income per share, basic and diluted	\$ 0.21	\$ 0.66	\$ 2.83	\$ 0.69	\$ 1.55
Adjusted net income ¹	\$ 14.2	\$ 42.9	\$ 184.4	\$ 48.0	\$ 104.9
Adjusted net income per share, basic and diluted ¹	\$ 0.21	\$ 0.66	\$ 2.83	\$ 0.73	\$ 1.59

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

Canfor Pulp had an exceptionally strong year in 2018, reporting record-high operating income of \$246.6 million, net income of \$2.83 per share and a return on invested capital of 37%.

For the fourth quarter of 2018, the Company reported operating income of \$15.6 million, a decrease of \$44.9 million from \$60.5 million reported for the third quarter of 2018. Results for the current quarter reflected repairs to one of the Company's Northwood Pulp Mill ("Northwood") recovery boilers, and operational disruptions resulting from a third-party natural gas explosion in Prince George early in the quarter, combined with their respective effects on production volumes, shipments and manufacturing costs.

Reflecting weaker demand from China, global softwood pulp market demand was down in the fourth quarter of 2018, with global softwood pulp producer inventory levels remaining above normal through the quarter. US-dollar Northern Bleached Softwood Kraft ("NBSK") pulp list prices to China averaged US\$805 per tonne, down 9% from the prior quarter, with prices ending the year at US\$725 per tonne. The Company's average NBSK unit sales realizations, however, were broadly in line with the prior quarter as the lower US-dollar pricing to China was largely offset by higher US-dollar pricing to North America, proportionately higher shipments to North America, and a 1 cent, or 1%, weaker Canadian dollar. Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") US-dollar pricing came under modest downward pressure during the current quarter; however, the Company's sales realizations remained steady quarter-over-quarter reflecting the timing of shipments (versus orders) and a weaker Canadian dollar.

Pulp production was down 61,400 tonnes, or 22%, from the previous quarter. This lower production primarily reflected the continuation of the scheduled maintenance outage at Northwood from the previous quarter, the aforementioned recovery boiler extended downtime at Northwood, as well as unscheduled downtime taken as a result of a third-party natural gas pipeline explosion, which impacted the Company's three NBSK pulp mills and, to a lesser extent, several other operational challenges during the current quarter. Combined, these scheduled and

unscheduled outages impacted NBSK pulp production by approximately 90,000 tonnes. In addition, in late December, the Company curtailed production at its Taylor BCTMP mill for seven days in the face of reduced residual fibre availability resulting from various sawmill curtailments in the region, which impacted BCTMP production by approximately 5,000 tonnes. In the third quarter of 2018, a scheduled maintenance outage at Northwood and ramp up at Taylor following the commissioning of the energy reduction project, reduced pulp production by approximately 30,000 tonnes.

Pulp shipments were down 31,700 tonnes, or 12%, from the previous quarter reflecting the impact of the aforementioned downtime partly offset by a drawdown of pulp inventories through the period. The anticipated benefit of a slipped vessel shipment from the previous quarter into the fourth quarter was offset by a delayed vessel shipment over the year end.

NBSK pulp unit manufacturing costs were up significantly from the previous quarter, in large measure due to reduced productivity in the current quarter as well as higher related maintenance, energy and chemical costs, associated with the unscheduled outages. Fibre costs were broadly in line with the third quarter of 2018.

Operating income for the paper segment remained broadly in line with the prior quarter reflecting a solid operating performance at the Company's Prince George paper machine and steady paper unit sales realizations, with the weaker Canadian dollar offsetting a modest decline in US-dollar prices.

At the end of December, the Company experienced kiln-related operational disruptions at two of its NBSK pulp mills. While these challenges have now been resolved, the related production loss was approximately 20,000 tonnes early in the first quarter of 2019.

Notwithstanding high inventory levels, global softwood kraft pulp markets are projected to be steady through the first half of 2019, reflecting an anticipated pick-up in demand from China and reduced supply during the traditional spring maintenance period. The BCTMP market is projected to be steady in the first half of 2019.

CPPI's Chief Executive Officer, Don Kayne, said, "With several months of significant operational challenges now behind us, we are very focused on getting our production performance back on track in the coming months."

The Company has no maintenance outages planned for the first quarter of 2019. Maintenance outages are currently planned at the Intercontinental NBSK pulp mill in the second quarter of 2019 with a projected 12,000 tonnes of reduced NBSK pulp production. Additional maintenance outages are scheduled at the Prince George NBSK pulp mill and the Taylor BCTMP mill in the third and fourth quarters of 2019 with a projected 6,000 tonnes of reduced NBSK pulp production and projected 5,000 tonnes of reduced BCTMP production, respectively. No scheduled maintenance outages are planned for the Company's Northwood NBSK pulp mill in 2019.

Bleached kraft paper demand is expected to remain solid through the first quarter of 2019. A maintenance outage is currently planned at the Company's paper machine during the third quarter of 2019 with a projected 4,000 tonnes of reduced paper production.

On February 21, 2019, the Board of Directors declared a quarterly dividend of \$0.0625 per share, payable on March 13, 2019 to the shareholders of record on March 6, 2019.

Refer to the Company's annual Management's Discussion and Analysis for further discussion on the Company's results for the fourth quarter of 2018 on page 16.

Additional Information and Conference Call

A conference call to discuss the fourth quarter's financial and operating results will be held on Friday, February 22, 2019 at 8:00 AM Pacific time. To participate in the call, please dial Toll-Free 888-390-0546. For instant replay access until March 8, 2019, please dial 888-390-0541 and enter participant pass code 194657#. The conference call will be webcast live and will be available at www.canfor.com. This news release, the attached financial statements and a presentation used during the conference call can be accessed via the Company's website at <http://www.canfor.com/investor-relations/webcasts>.

Non-IFRS Measures and Forward Looking Statements

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

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

CPPI is a leading global supplier of pulp and paper products with operations in the central interior of British Columbia (“BC”) employing approximately 1,300 people throughout the organization. Canfor Pulp owns and operates three mills in Prince George, BC with a total capacity of 1.1 million tonnes of Premium Reinforcing Northern Bleached Softwood Kraft Pulp (“NBSK”) and 140,000 tonnes of kraft paper, as well as one mill in Taylor, BC with an annual production capacity of 220,000 tonnes of Bleached Chemi-Thermo Mechanical Pulp (“BCTMP”). Canfor Pulp is the largest North American and one of the largest global producers of market NBSK Pulp. CPPI shares are traded on the Toronto Stock Exchange under the symbol CFX.

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Canfor Pulp Products Inc.
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)	As at December 31, 2018	As at December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6.9	\$ 76.7
Accounts receivable - Trade	107.6	101.5
- Other	11.4	14.3
Income taxes receivable	5.4	-
Inventories (Note 2)	207.1	165.5
Prepaid expenses and other	11.9	7.0
Total current assets	350.3	365.0
Property, plant and equipment and intangible assets	578.2	526.7
Other long-term assets	3.5	0.5
Total assets	\$ 932.0	\$ 892.2
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 182.0	\$ 161.5
Total current liabilities	182.0	161.5
Retirement benefit obligations (Note 4)	80.0	85.2
Other long-term provisions	6.6	6.5
Deferred income taxes, net	66.8	67.6
Total liabilities	\$ 335.4	\$ 320.8
EQUITY		
Share capital	\$ 480.9	\$ 480.9
Retained earnings	115.7	90.5
Total equity	\$ 596.6	\$ 571.4
Total liabilities and equity	\$ 932.0	\$ 892.2

Subsequent Event (Note 11)

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

APPROVED BY THE BOARD

"S.E. Bracken-Horrocks"

Director, S.E. Bracken-Horrocks

"C.A. Pinette"

Director, C.A. Pinette

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Income

(millions of Canadian dollars, except per share data, unaudited)	3 months ended December 31,		12 months ended December 31,	
	2018	2017	2018	2017
Sales	\$ 289.7	\$ 322.9	\$ 1,374.3	\$ 1,197.9
Costs and expenses				
Manufacturing and product costs	212.8	191.7	870.9	786.7
Freight and other distribution costs	32.5	38.7	145.4	155.0
Amortization	20.5	18.8	79.6	74.4
Selling and administration costs	8.3	6.9	31.8	27.2
	274.1	256.1	1,127.7	1,043.3
Operating income	15.6	66.8	246.6	154.6
Finance expense, net	(0.9)	(1.9)	(4.2)	(7.2)
Other income (expense), net	4.8	-	8.7	(6.5)
Net income before income taxes	19.5	64.9	251.1	140.9
Income tax expense (Note 3)	(5.3)	(19.7)	(66.7)	(38.8)
Net income	\$ 14.2	\$ 45.2	\$ 184.4	\$ 102.1
Net income per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 5)	\$ 0.21	\$ 0.69	\$ 2.83	\$ 1.55

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

Canfor Pulp Products Inc. Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars, unaudited)	3 months ended December 31,		12 months ended December 31,	
	2018	2017	2018	2017
Net income	\$ 14.2	\$ 45.2	\$ 184.4	\$ 102.1
Other comprehensive income				
Items that will not be recycled through net income:				
Defined benefit plan actuarial gains (Note 4)	1.5	29.8	5.5	25.2
Income tax expense on defined benefit plan actuarial gains (Note 3)	(0.4)	(7.5)	(1.5)	(6.3)
Other comprehensive income, net of tax	1.1	22.3	4.0	18.9
Total comprehensive income	\$ 15.3	\$ 67.5	\$ 188.4	\$ 121.0

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended December 31,		12 months ended December 31,	
	2018	2017	2018	2017
Share capital				
Balance at beginning of period	\$ 480.9	\$ 481.0	\$ 480.9	\$ 491.6
Share purchases (Note 5)	-	(0.1)	-	(10.7)
Balance at end of period	\$ 480.9	\$ 480.9	\$ 480.9	\$ 480.9
Retained earnings (deficit)				
Balance at beginning of period	\$ 251.3	\$ 27.1	\$ 90.5	\$ (6.9)
Net income	14.2	45.2	184.4	102.1
Defined benefit plan actuarial gains, net of tax	1.1	22.3	4.0	18.9
Dividends declared (Note 10)	(150.9)	(4.1)	(163.2)	(16.5)
Share purchases (Note 5)	-	-	-	(7.1)
Balance at end of period	\$ 115.7	\$ 90.5	\$ 115.7	\$ 90.5
Total equity	\$ 596.6	\$ 571.4	\$ 596.6	\$ 571.4

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

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended December 31,		12 months ended December 31,	
	2018	2017	2018	2017
Cash generated from (used in):				
Operating activities				
Net income	\$ 14.2	\$ 45.2	\$ 184.4	\$ 102.1
Items not affecting cash:				
Amortization	20.5	18.8	79.6	74.4
Income tax expense	5.3	19.7	66.7	38.8
Employee future benefits expense	0.7	0.4	4.0	4.3
Finance expense, net	0.9	1.9	4.2	7.2
Other, net	0.8	1.3	(1.1)	0.4
Defined benefit plan contributions	(1.6)	(2.2)	(6.6)	(7.0)
Income taxes paid, net	(36.3)	(1.5)	(90.4)	(19.1)
	4.5	83.6	240.8	201.1
Net change in non-cash working capital (Note 6)	(9.4)	(5.2)	(25.6)	(6.4)
	(4.9)	78.4	215.2	194.7
Financing activities				
Repayment of long-term debt	-	(50.0)	-	(50.0)
Finance expenses paid	(0.8)	(1.0)	(3.3)	(3.3)
Dividends paid (Note 10)	(150.9)	(4.1)	(163.2)	(16.5)
Share purchases (Note 5)	-	-	(0.1)	(17.7)
	(151.7)	(55.1)	(166.6)	(87.5)
Investing activities				
Additions to property, plant and equipment and intangible assets, net	(42.5)	(28.1)	(120.5)	(83.1)
Other, net	0.6	0.2	2.1	0.7
	(41.9)	(27.9)	(118.4)	(82.4)
Increase (decrease) in cash and cash equivalents*	(198.5)	(4.6)	(69.8)	24.8
Cash and cash equivalents at beginning of period*	205.4	81.3	76.7	51.9
Cash and cash equivalents at end of period*	\$ 6.9	\$ 76.7	\$ 6.9	\$ 76.7

*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 Financial Statements

Three and twelve months ended December 31, 2018 and 2017
(millions of Canadian dollars unless otherwise noted, unaudited)

1. Basis of Preparation

These condensed consolidated financial statements (the "financial statements") include the accounts of Canfor Pulp Products Inc. ("CPPI") and its subsidiary entities, hereinafter referred to as "CPPI" or "the Company". At December 31, 2018 and February 21, 2019, 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 interim and annual financial statements. Additional disclosures relevant to the understanding of these financial statements, including the accounting policies applied, can be found in the Company's Annual Report for the year ended December 31, 2018, available at www.canfor.com or www.sedar.com.

Effective January 1, 2018, the Company has adopted IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The standard establishes a framework based on transfer of control for determining how much and when revenue is recognized and includes expanded disclosure requirements. The adoption of IFRS 15 has had no significant impact on the Company's financial statements.

Effective January 1, 2018, the Company has adopted IFRS 9 *Financial Instruments*. IFRS 9 supersedes IAS 39 *Financial Instruments: Recognition and Measurement*. The standard includes requirements for recognition, measurement, impairment and derecognition of financial assets and liabilities, as well as general hedge accounting. The adoption of IFRS 9 has had no significant impact on the Company's financial statements.

These financial statements were authorized for issue by the Company's Board of Directors on February 21, 2019.

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

Accounting Standards Issued and Not Applied

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

IFRS 16 may be applied retrospectively to each prior period presented (full retrospective approach), or with the cumulative effect of adoption recognized at initial application (modified retrospective approach). The Company has elected to apply the modified retrospective approach upon adoption at January 1, 2019, measuring the right-of-use asset at its carrying amount had the standard been applied at commencement of the lease. The short-term and low-value recognition exemptions available under the standard will be utilized, along with certain practical expedients.

Based on lease data as at December 31, 2018, IFRS 16 is estimated to have the following financial statement impact on the Company's consolidated balance sheet at transition on January 1, 2019, with no material impact to 2019 net income:

		As at January 1, 2019
<i>(millions of Canadian dollars, unaudited)</i>		
Right-of-use asset, net of accumulated amortization	Increase in assets	\$ 1.4
Lease obligation	Increase in liabilities	1.5
Retained earnings	Decrease in equity	0.1

The full quantification of the new standard will be disclosed in the condensed consolidated interim financial statements for the first quarter of 2019.

2. Inventories

(millions of Canadian dollars, unaudited)	As at December 31, 2018	As at December 31, 2017
Pulp	\$ 83.2	\$ 78.5
Paper	22.2	14.9
Wood chips and logs	48.3	19.9
Materials and supplies	53.4	52.2
	\$ 207.1	\$ 165.5

Inventory balances are stated at the lower of cost or net realizable value. During the three and twelve months ended December 31, 2018, no inventory write-downs were recognized (three and twelve months ended December 31, 2017 – nil).

3. Income Taxes

(millions of Canadian dollars, unaudited)	3 months ended December 31,		12 months ended December 31,	
	2018	2017	2018	2017
Current	\$ (0.1)	\$ (19.2)	\$ (69.0)	\$ (39.3)
Deferred	(5.2)	(0.5)	2.3	0.5
Income tax expense	\$ (5.3)	\$ (19.7)	\$ (66.7)	\$ (38.8)

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

(millions of Canadian dollars, unaudited)	3 months ended December 31,		12 months ended December 31,	
	2018	2017	2018	2017
Income tax expense at statutory rate – 27% (2017 – 26%)	\$ (5.3)	\$ (16.8)	\$ (67.8)	\$ (36.6)
Add:				
Entities with different income tax rates and other tax adjustments	-	-	0.2	0.7
Permanent difference from capital gains and losses and other non-deductible items	-	(0.1)	0.9	(0.1)
Change in substantively enacted legislation	-	(2.8)	-	(2.8)
Income tax expense	\$ (5.3)	\$ (19.7)	\$ (66.7)	\$ (38.8)

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

In addition, a tax expense of \$0.4 million related to actuarial gains on the Company's defined benefit plans was recorded in other comprehensive income for the three months ended December 31, 2018 (three months ended December 31, 2017 - expense of \$7.8 million, before the tax rate adjustment). For the twelve months ended December 31, 2018, a tax expense of \$1.5 million was recorded in other comprehensive income relating to actuarial gains (twelve months ended December 31, 2017 – expense of \$6.6 million, before the tax rate adjustment).

4. Employee Future Benefits

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

Annuity contracts

The Company purchased buy-in annuities through its defined benefits pension plans, increasing total annuities purchased in the year ended December 31, 2018 to \$8.9 million, and the cumulative total amount purchased to \$86.0 million (December 31, 2017 - \$77.1 million). Future cash flows from the annuities will match the amount and timing of benefits payable under the plans, substantially mitigating the exposure to future volatility in the related pension obligations.

In the three and twelve months ended December 31, 2018, transaction costs of \$0.7 million, related to this purchase (three and twelve months ended December 31, 2017 – costs of \$0.5 million and \$1.6 million) were recognized in other comprehensive income, principally reflecting the difference between the annuity rate compared to the discount rate used to value the obligations on a going concern basis.

Significant assumptions

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

	December 31, 2018		December 31, 2017	
	Defined Benefit Pension Plans	Other Benefit Plans	Defined Benefit Pension Plans	Other Benefit Plans
Discount rate	3.6 %	3.6%	3.4 %	3.4%
Rate of compensation increases	3.0 %	n/a	3.0 %	n/a
Initial medical cost trend rate	n/a	5.5%	n/a	6.5%
Ultimate medical cost trend rate	n/a	4.5%	n/a	4.5%
Year ultimate rate is reached	n/a	2022	n/a	2022

5. Earnings per Share and Normal Course Issuer Bid

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

	3 months ended December 31,		12 months ended December 31,	
	2018	2017	2018	2017
Weighted average number of common shares	65,250,759	65,258,751	65,250,763	65,887,110

On March 5, 2018, the Company renewed its normal course issuer bid whereby up to 6,439,764 common shares or approximately 5% of its issued and outstanding common shares as of March 1, 2018 could be purchased for cancellation. The renewed normal course issuer bid is set to expire on March 6, 2019.

During the fourth quarter of 2018, the Company did not purchase any common shares. For the twelve months ended December 31, 2018, the Company purchased 500 shares at an average of \$13.01 per common share, and paid \$0.1 million in relation to shares purchased in the prior year.

As at December 31, 2018, and February 21, 2019, there were 65,250,759 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

6. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended December 31,		12 months ended December 31,	
	2018	2017	2018	2017
Accounts receivable	\$ 7.9	\$ (14.8)	\$ (2.4)	\$ (24.4)
Inventories	(15.5)	(4.3)	(41.6)	0.6
Prepaid expenses and other	2.0	3.2	(2.9)	4.8
Accounts payable and accrued liabilities	(3.8)	10.7	21.3	12.6
Increase in non-cash working capital	\$ (9.4)	\$ (5.2)	\$ (25.6)	\$ (6.4)

7. Segment Information

The Company has two reportable segments, pulp and paper, which operate as separate business units and represent separate product lines. Sales between the pulp and paper segments are accounted for at prices that approximate fair value. These include sales of slush pulp from the pulp segment to the paper segment. Information regarding the operations of each reportable segment is included in the following table:

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
3 months ended December 31, 2018					
Sales from contracts with customers	\$ 243.5	\$ 46.1	\$ 0.1	\$ -	\$ 289.7
Sales to other segments	32.1	-	-	(32.1)	-
Operating income (loss)	15.2	3.5	(3.1)	-	15.6
Amortization	19.5	0.9	0.1	-	20.5
Capital expenditures¹	40.8	0.4	1.3	-	42.5
3 months ended December 31, 2017					
Sales from contracts with customers	\$ 277.3	\$ 45.6	\$ -	\$ -	\$ 322.9
Sales to other segments	25.8	-	-	(25.8)	-
Operating income (loss)	62.4	7.4	(3.0)	-	66.8
Amortization	17.7	1.0	0.1	-	18.8
Capital expenditures ¹	26.8	1.3	-	-	28.1
12 months ended December 31, 2018					
Sales from contracts with customers	\$ 1,192.9	\$ 180.9	\$ 0.5	\$ -	\$ 1,374.3
Sales to other segments	119.7	-	-	(119.7)	-
Operating income (loss)	248.9	11.0	(13.3)	-	246.6
Amortization	75.3	4.2	0.1	-	79.6
Capital expenditures¹	113.3	3.7	3.5	-	120.5
Identifiable assets	841.7	66.1	24.2	-	932.0
12 months ended December 31, 2017					
Sales from contracts with customers	\$ 1,024.5	\$ 173.0	\$ 0.4	\$ -	\$ 1,197.9
Sales to other segments	92.0	-	-	(92.0)	-
Operating income (loss)	140.5	26.0	(11.9)	-	154.6
Amortization	70.4	3.9	0.1	-	74.4
Capital expenditures ¹	81.3	1.8	-	-	83.1
Identifiable assets	751.3	55.2	85.7	-	892.2

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

8. Licella Pulp Joint Venture

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

Under IFRS 11, *Joint Arrangements*, the joint venture is classified as a joint operation and CPPI recognizes its assets, liabilities and transactions, including its share of those incurred jointly, in its financial statements. For the three months ended December 31, 2018, the Company's share of the joint venture's expenses was \$0.6 million (three months ended December 31, 2017 - \$0.3 million), which have been recognized in manufacturing and product costs. For the twelve months ended December 31, 2018, the Company's share of the joint venture's expenses was \$2.1 million (twelve months ended December 31, 2017 - \$1.1 million). The Company is required to contribute the first \$20.0 million of any funding requirements, including cash and non-cash contributions, to the joint venture, of which \$3.8 million has been contributed as at December 31, 2018.

In March 2017, the Canadian Federal Government through its Sustainable Development Technology Canada program announced the funding over several years of approximately \$13.2 million, contingent on future spending. Advance funding of \$1.9 million was received in April 2018 for the period October 1, 2017 through to the time at which the terms of funding have been met, which is currently estimated as March 31, 2019. Of this amount, \$0.2 million has been recognized as an offset to manufacturing and product costs for the three months ended December 31, 2018. For the twelve months ended December 31, 2018, an offset of \$0.7 million has been recognized.

9. Contingencies

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

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

10. Special Dividend

On October 24, 2018, the Board of Directors declared a special dividend of \$2.25 per share, paid to the shareholders of record on November 13, 2018. The special dividend was paid as a result of strong cash generated by the business over the last year.

11. Subsequent Event

On February 21, 2019, the Board of Directors declared a quarterly dividend of \$0.0625 per share, payable on March 13, 2019, to the shareholders of record on March 6, 2019.