To Our Shareholders

Canfor Pulp Products Inc. ("CPPI") reported net income of $20.7 million, or $0.29 per share, for the fourth quarter of 2014, compared to $24.3 million, or $0.34 per share, for the third quarter of 2014 and $14.2 million, or $0.20 per share, for the fourth quarter of 2013. For the year ended December 31, 2014, the Company's net income was $89.5 million, or $1.26 per share, compared to $41.8 million, or $0.59 per share, for 2013.

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

(millions of Canadian dollars, except per share amounts)	Q4 2014	Q3 2014	YTD 2014	Q4 2013	YTD 2013
Sales	**$ 264.0**	$ 237.6	**$ 980.5**	$ 245.6	$ 886.8
Operating income before amortization	**$ 43.2**	$ 47.7	**$ 188.1**	$ 39.5	$ 143.7
Operating income	**$ 28.0**	$ 31.4	**$ 125.4**	$ 24.0	$ 73.8
Net income	**$ 20.7**	$ 24.3	**$ 89.5**	$ 14.2	$ 41.8
Net income per share, basic and diluted	**$ 0.29**	$ 0.34	**$ 1.26**	$ 0.20	$ 0.59
Adjusted net income	**$ 21.3**	$ 24.5	**$ 90.9**	$ 17.3	$ 50.7
Adjusted net income per share, basic and diluted	**$ 0.30**	$ 0.34	**$ 1.28**	$ 0.24	$ 0.71

After adjusting for items affecting comparability with the prior periods, the Company's adjusted net income for the fourth quarter of 2014 was $21.3 million, or $0.30 per share, compared to an adjusted net income of $24.5 million, or $0.34 per share, for the third quarter of 2014. For 2014, CPPI's adjusted net income was $90.9 million, or $1.28 per share, compared to $50.7 million, or $0.71 per share, for 2013.

The Company reported operating income of $28.0 million for the fourth quarter of 2014, down from operating income of $31.4 million for the third quarter of 2014, as the impact of a scheduled maintenance outage in the pulp segment and higher fibre costs more than offset increased pulp shipments and the benefit of the weaker Canadian dollar on both pulp and paper unit sales realizations in the current quarter.

Global softwood pulp markets were relatively stable in the fourth quarter of 2014, softening slightly towards the end of the quarter. Global softwood pulp producer inventory levels increased by 4 days in December 2014 to 31 days of supply, driven in part by strong producer operating rates (market conditions are generally considered balanced when inventories are in the 27-30 days of supply range). The North American average Northern Bleached Softwood Kraft ("NBSK") pulp list price decreased US$5 per tonne to US$1,025 and the list price to China decreased US$13 per tonne, while the NBSK pulp list price to Europe remained unchanged from the end of the previous quarter. Overall sales realizations were up modestly compared to the previous quarter, primarily reflecting the favourable impact of a 4% weaker Canadian dollar and improved customer mix, which more than offset the slightly lower NBSK pulp prices.

Pulp shipments were up 8% from the previous quarter, reflecting solid demand. Pulp production levels were down 3% from the previous quarter, reflecting the impact of a scheduled maintenance outage at the Northwood Pulp Mill in the quarter, which reduced market pulp production by 17,000 tonnes. This was offset somewhat by improved rates related in part to disruptions to operations early in the third quarter, which reduced market pulp production by 10,000 tonnes. Pulp unit manufacturing costs in the fourth quarter of 2014 were up moderately compared to the third quarter of 2014, mostly attributable to the maintenance outage in the current quarter and, to a lesser degree, a marginal increase in fibre costs, largely driven by an increased proportion of higher-cost whole log chips, and seasonally higher energy costs.

The Company's paper segment's operating income showed a modest increase from the previous quarter, as paper unit sales realizations also benefitted from the weaker Canadian dollar. Largely offsetting these gains was a moderate increase in unit manufacturing costs, driven by higher slush pulp costs (linked to higher NBSK pulp sales realizations) and increased spending on maintenance and operating supplies in the current quarter. Paper shipments and production were in line with the previous quarter.

Subsequent to year end, on January 30, 2015, CPPI completed the purchase of the Taylor Pulp Mill from Canfor for cash proceeds of approximately $15.0 million, including working capital. In addition to the cash proceeds, Canfor may also receive contingent consideration over a 3 year period, starting January 31, 2015, based on the Taylor Pulp Mill's annual adjusted operating income before amortization. The Taylor Pulp Mill is located in Taylor, BC and has an annual capacity of 220,000 tonnes of bleached chemi-thermo mechanical pulp.

For the month of January 2015, NBSK pulp list prices were down from December 2014, with the NBSK pulp list price to North America at US$1,010 per tonne, down US$10 per tonne, and the list prices to China and Europe down US$20 per tonne at US$680 per tonne and US$915 per tonne, respectively. For the month of February 2015, the Company has announced a NBSK pulp list price of US$1,000 per tonne in North America. There are no maintenance outages planned for the first quarter of 2015. NBSK pulp list prices are anticipated to continue to soften modestly through the first quarter of 2015, with a modest growth in producer inventories due in part to minimal industry maintenance during the first quarter and NBSK pulp production facilities running at or near capacity; however, the continued weakening of the Canadian dollar is currently projected to outweigh the forecast declines in NBSK pulp list prices. For the second quarter of 2015, producer inventories are forecast to decline during the industry's spring maintenance period.

On February 4, 2015, the Board of Directors declared a quarterly dividend of $0.0625 per share, payable on February 24, 2015, to the shareholders of record on February 17, 2015. CPPI may, subject to market conditions, continue to pay a comparable level of dividends through 2015.

Michael J. Korenberg
Chairman

Don B. Kayne
Chief Executive Officer

Canfor Pulp Products Inc.
Fourth Quarter 2014
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 December 31, 2014 relative to the quarters ended September 30, 2014 and December 31, 2013, and the financial position of the Company at December 31, 2014. It should be read in conjunction with CPPI's unaudited interim consolidated financial statements and accompanying notes for the quarters ended December 31, 2014 and 2013, as well as the 2013 annual MD&A and the 2013 audited consolidated financial statements and notes thereto, which are included in CPPI's Annual Report for the year ended December 31, 2013 (available at www.canforpulp.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 – for the full calculation, see reconciliation included in the section "Analysis of Specific Material Items Affecting Comparability of Net Income (Loss)") and Adjusted Net Income (Loss) per Share (calculated as Adjusted Net Income (Loss) divided by 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.

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 February 4, 2015.

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.

FOURTH QUARTER 2014 OVERVIEW

Selected Financial Information and Statistics

(millions of Canadian dollars, unless otherwise noted)	Q4 2014	Q3 2014	YTD 2014	Q4 2013	YTD 2013
Operating income (loss) by segment:					
Pulp	**$ 23.7**	$ 27.5	**$ 115.0**	$ 24.1	$ 63.2
Paper	**$ 7.2**	$ 6.5	**$ 22.0**	$ 3.8	$ 22.7
Unallocated	**$ (2.9)**	$ (2.6)	**$ (11.6)**	$ (3.9)	$ (12.1)
Total operating income	**$ 28.0**	$ 31.4	**$ 125.4**	$ 24.0	$ 73.8
Add: Amortization	**$ 15.2**	$ 16.3	**$ 62.7**	$ 15.5	$ 69.9
Total operating income before amortization[1]	**$ 43.2**	$ 47.7	**$ 188.1**	$ 39.5	$ 143.7
Add (deduct):					
Working capital movements	**$ 8.5**	$ (13.2)	**$ (13.9)**	$ 27.9	$ 16.1
Defined benefit pension plan contributions	**$ (1.1)**	$ (1.2)	**$ (6.1)**	$ (2.5)	$ (10.1)
Income taxes paid, net	**$ (1.0)**	$ (12.5)	**$ (24.4)**	$ (0.3)	$ (0.4)
Other operating cash flows, net	**$ 3.6**	$ 3.9	**$ 9.7**	$ 4.5	$ 7.6
Cash from operating activities	**$ 53.2**	$ 24.7	**$ 153.4**	$ 69.1	$ 156.9
Add (deduct):					
Dividends paid	**$ (4.4)**	$ (4.4)	**$ (16.8)**	$ (3.5)	$ (14.2)
Finance expenses paid	**$ (0.7)**	$ (0.6)	**$ (2.7)**	$ (4.9)	$ (9.1)
Capital additions, net	**$ (11.3)**	$ (16.2)	**$ (57.7)**	$ (19.9)	$ (61.2)
Share purchases	**$ -**	$ (2.0)	**$ (2.0)**	$ -	$ (2.4)
Drawdown of long-term debt	**$ -**	$ -	**$ -**	$ 50.0	$ 50.0
Repayment of long-term debt	**$ -**	$ -	**$ -**	$ (116.6)	$ (116.6)
Other, net	**$ 0.2**	$ 0.1	**$ 0.3**	$ -	$ 0.7
Change in cash / operating loans	**$ 37.0**	$ 1.6	**$ 74.5**	$ (25.8)	$ 4.1
ROIC – Consolidated period-to-date[2]	**4.6%**	5.3%	**19.6%**	4.0%	12.1%
Average exchange rate (US$ per C$1.00)[3]	**$ 0.881**	$ 0.918	**$ 0.905**	$ 0.953	$ 0.971

[1] Amortization includes certain capitalized major maintenance costs.
[2] Consolidated Return on Invested Capital ("ROIC") is equal to operating income plus realized gains/losses on derivatives and other income/expense, divided by the average invested capital during the period. Invested capital is equal to capital assets, plus long-term investments and net non-cash working capital.
[3] Source – Bank of Canada (average noon rate for the period).

Analysis of Specific Material Items Affecting Comparability of Net Income

After-tax impact (millions of Canadian dollars, except per share amounts)	Q4 2014	Q3 2014	YTD 2014	Q4 2013	YTD 2013
Net income, as reported	**$ 20.7**	$ 24.3	**$ 89.5**	$ 14.2	$ 41.8
Loss on derivative financial instruments	**$ 0.6**	$ 0.2	**$ 1.4**	$ 0.1	$ 0.1
Foreign exchange loss on long-term debt	**$ -**	$ -	**$ -**	$ 3.0	$ 6.4
Change in substantively enacted tax rate	**$ -**	$ -	**$ -**	$ -	$ 2.4
Net impact of above items	**$ 0.6**	$ 0.2	**$ 1.4**	$ 3.1	$ 8.9
Adjusted net income	**$ 21.3**	$ 24.5	**$ 90.9**	$ 17.3	$ 50.7
Net income per share (EPS), as reported	**$ 0.29**	$ 0.34	**$ 1.26**	$ 0.20	$ 0.59
Net impact of above items per share[4]	**$ 0.01**	$ -	**$ 0.02**	$ 0.04	$ 0.12
Adjusted net income per share[4]	**$ 0.30**	$ 0.34	**$ 1.28**	$ 0.24	$ 0.71

[4] The year-to-date net impact of the adjusting items per share and adjusted net income per share does not equal the sum of the quarterly per share amounts due to rounding.

The Company reported operating income of $28.0 million for the fourth quarter of 2014, down from operating income of $31.4 million for the third quarter of 2014, as the impact of a scheduled maintenance outage in the pulp segment and higher fibre costs more than offset increased pulp shipments and the benefit of the weaker Canadian dollar on both pulp and paper unit sales realizations in the current quarter.

Global softwood pulp markets were relatively stable in the fourth quarter of 2014, softening slightly towards the end of the quarter. Global softwood pulp producer inventory levels increased by 4 days in December 2014 to 31 days of supply, driven in part by strong producer operating rates (market conditions are generally considered balanced when inventories are in the 27-30 days of supply range). The North American average Northern Bleached Softwood Kraft ("NBSK") pulp list price decreased US$5 per tonne to US$1,025 and the list price to China decreased US$13 per tonne, while the NBSK pulp list price to Europe remained unchanged from the end of the previous quarter. Overall sales realizations were up modestly compared to the previous quarter, primarily reflecting the favourable impact of a 4% weaker Canadian dollar and improved customer mix, which more than offset the slightly lower NBSK pulp prices.

Pulp shipments were up 8% from the previous quarter, reflecting solid demand. Pulp production levels were down 3% from the previous quarter, reflecting the impact of a scheduled maintenance outage at the Northwood Pulp Mill in the quarter, which reduced market pulp production by 17,000 tonnes. This was offset somewhat by improved rates related in part to disruptions to operations early in the third quarter, which reduced market pulp production by 10,000 tonnes. Pulp unit manufacturing costs in the fourth quarter of 2014 were up moderately compared to the third quarter of 2014, mostly attributable to the maintenance outage in the current quarter and, to a lesser degree, a marginal increase in fibre costs, largely driven by an increased proportion of higher-cost whole log chips, and seasonally higher energy costs.

The Company's paper segment's operating income showed a modest increase from the previous quarter, as paper unit sales realizations also benefitted from the weaker Canadian dollar. Largely offsetting these gains was a moderate increase in unit manufacturing costs, driven by higher slush pulp costs (linked to higher NBSK pulp sales realizations) and increased spending on maintenance and operating supplies in the current quarter. Paper shipments and production were in line with the previous quarter.

Compared to the fourth quarter of 2013, operating income was up $4.0 million, driven primarily by higher earnings in the paper segment, while the pulp segment's operating income was in line with the same period in 2013. Unit sales realizations in both segments benefitted from an 8% weaker Canadian dollar and higher US dollar list prices to most regions. Gains in pulp unit sales realizations were offset by lower shipment volumes and higher fibre and operating costs, with the latter reflecting the impact of a longer scheduled maintenance outage in the current quarter compared to the fourth quarter of 2013. The paper segment's earnings were further bolstered by increased shipment volumes and lower operating costs, largely due to a maintenance outage in the comparable period of 2013, reduced in part by market-driven increases in slush pulp costs.

OPERATING RESULTS BY BUSINESS SEGMENT

Pulp

Selected Financial Information and Statistics – Pulp

(millions of Canadian dollars, unless otherwise noted)	Q4 2014	Q3 2014	YTD 2014	Q4 2013	YTD 2013
Sales	**$ 221.4**	$ 196.5	**$ 816.4**	$ 212.3	$ 738.4
Operating income before amortization[5]	**$ 38.0**	$ 42.9	**$ 174.2**	$ 38.8	$ 129.3
Operating income	**$ 23.7**	$ 27.5	**$ 115.0**	$ 24.1	$ 63.2
Average pulp price delivered to US – US$[6]	**$ 1,025**	$ 1,030	**$ 1,025**	$ 983	$ 941
Average price in Cdn$	**$ 1,164**	$ 1,122	**$ 1,133**	$ 1,032	$ 969
Production – pulp (000 mt)	**241.1**	248.1	**985.6**	246.1	981.2
Shipments – pulp (000 mt)	**258.6**	240.5	**968.4**	273.3	998.4
Marketed on behalf of Canfor (000 mt)	**55.4**	50.6	**207.0**	56.2	214.6

[5] Amortization includes certain capitalized major maintenance costs.
[6] Per tonne, NBSK pulp list price delivered to US (Resource Information Systems, Inc.).

Overview

Operating income for the pulp segment was $23.7 million for the fourth quarter of 2014, down $3.8 million from the previous quarter and in line with the fourth quarter of 2013.

Pulp segment earnings were down compared to the previous quarter principally reflecting a moderate increase in unit manufacturing costs mainly attributable to a scheduled maintenance outage in the current quarter and, to a lesser degree, increased fibre costs and seasonally higher energy costs. Partially offsetting the higher costs in the quarter were increased shipment volumes, mostly driven by strong demand in the Asia market, coupled with a modest increase in sales realizations primarily attributable to the 4 cent, or 4%, weaker Canadian dollar.

Compared to the fourth quarter of 2013, the pulp segment's results were relatively flat with strong gains in sales realizations offset by higher unit manufacturing costs and lower shipment volumes. The higher sales realizations were largely a result of the 8% weaker Canadian dollar and marginal improvements in pulp US dollar prices in most regions, while shipments for the last quarter of 2013 were at higher-than-normal levels. Unit manufacturing costs were up moderately, primarily reflecting higher market-driven fibre costs and the impact of a longer scheduled maintenance outage in the current quarter compared to a scheduled outage taken in the fourth quarter of 2013. The current quarter results also included higher energy revenue compared to the fourth quarter of 2013.

Markets

Global softwood pulp markets were relatively stable in the fourth quarter of 2014, softening slightly towards the end of the quarter, with pricing down modestly in North America and China and solid demand in most regions through the quarter. Global softwood pulp producer inventory levels remained balanced during the first two months of the quarter before increasing in December 2014 to 31 days of supply, up 4 days from September 2014[7], driven in part by strong producer operating rates. Market conditions are generally considered balanced when inventories are in the 27-30 days of supply range.

Global shipments of bleached softwood kraft pulp were relatively unchanged from both the third quarter of 2014 and the fourth quarter of 2013, with increased shipments to China and North America offset in part by lower shipments to Europe compared to the previous quarter, while stable demand was seen to most regions compared to the same period in 2013[8].

Sales

The Company's pulp shipments in the fourth quarter of 2014 totalled 258,600 tonnes, an increase of 18,100 tonnes, or 8%, from the previous quarter, reflecting increased shipments to Asia coupled with solid demand in most other regions through the current quarter. Compared to the same period in 2013, pulp shipments were down 14,700 tonnes, or 5%, due in part to higher-than-normal shipments into China in the fourth quarter of 2013, partly offset by improved demand in North America.

[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").
[8] As reported PPPC statistics.

NBSK pulp list prices in North America and China reflected the slight softening of global softwood pulp markets towards the end of the year. The North American average NBSK pulp list price decreased US$5 per tonne to US$1,025 and the list price to China decreased US$13 per tonne, while the NBSK pulp list price to Europe remained unchanged from the end of the previous quarter at US$935 per tonne. Discount levels were consistent with the previous quarter. Overall current quarter sales realizations were up modestly, primarily reflecting the favourable impact of the 4% weaker Canadian dollar and an improved customer mix in Asia and North America, which more than offset the slightly lower NBSK pulp prices. Energy revenue was up from the third quarter of 2014, reflecting increased energy production and seasonal increases in prices.

Compared to the fourth quarter of 2013, pulp sales realizations showed strong gains, largely as a result of the 8% weaker Canadian dollar, increased US-dollar pulp prices in most regions, and increased shipments to higher-margin regions. The average NBSK pulp list price to North America increased US$42 per tonne, or 4%, with list prices to Europe seeing similar gains. Partially offsetting these gains were increased discounts in North America and a 3% decrease in the average list price to China. Higher energy revenue compared to the same period in 2013 continued to reflect output from the upgrades to the Northwood Pulp Mill turbines, completed in early 2014, as well as increased power generation from the turbine at the Company's Prince George Pulp Mill facility.

Operations

Pulp production in the current quarter was 241,100 tonnes, down 7,000 tonnes, or 3%, from the previous quarter, and down 5,000 tonnes, or 2%, from the fourth quarter of 2013. The current quarter included a scheduled maintenance outage at the Northwood Pulp Mill which resulted in reduced market pulp production of 17,000 tonnes. In comparison, the third quarter of 2014 pulp production included some disruptions to operations early in the quarter, which reduced pulp production by 10,000 tonnes and production in the fourth quarter of 2013 reflected a scheduled maintenance outage at the Prince George Pulp Mill, which resulted in reduced market pulp production of 4,000 tonnes. Current quarter production levels were favourably impacted by higher operating rates than both comparable periods.

Pulp unit manufacturing costs saw a moderate increase from the previous quarter, reflecting the higher costs attributable to the maintenance outage in the current quarter, including the unfavourable impact of lower production volumes and, to a lesser degree, higher energy usage in part attributable to the scheduled outage in the quarter as well as a seasonal increase. Fibre costs showed a marginal increase compared to the third quarter of 2014, driven primarily by an increased proportion of higher-cost whole log chips.

Compared to the fourth quarter of 2013, unit manufacturing costs were up, reflecting the impact of higher fibre costs coupled with higher costs attributable to the longer maintenance outage in the current quarter. The higher fibre costs resulted largely from market-driven increases in sawmill residual and whole log chip prices and, to a lesser extent, an increased proportion of higher-cost whole log chips.

Paper

Selected Financial Information and Statistics – Paper

(millions of Canadian dollars, unless otherwise noted)	**Q4 2014**	Q3 2014	**YTD 2014**	Q4 2013	YTD 2013
Sales	**$ 42.5**	$ 41.0	**$ 162.8**	$ 33.2	$ 147.1
Operating income before amortization[9]	**$ 8.0**	$ 7.4	**$ 25.4**	$ 4.6	$ 26.4
Operating income	**$ 7.2**	$ 6.5	**$ 22.0**	$ 3.8	$ 22.7
Production – paper (000 mt)	**36.0**	35.9	**144.0**	30.8	134.7
Shipments – paper (000 mt)	**35.8**	35.7	**142.5**	31.1	138.8

[9] Amortization includes certain capitalized major maintenance costs.

Overview

Operating income for the paper segment was $7.2 million for the fourth quarter of 2014, up $0.7 million from the third quarter of 2014 and up $3.4 million from the fourth quarter of 2013. The increase in earnings compared to the previous quarter primarily resulted from increased unit sales realizations reflecting the weaker Canadian dollar, largely offset by a moderate increase in manufacturing costs, driven by higher slush pulp costs and the timing of spending on maintenance and operating supplies in the current quarter.

Compared to the fourth quarter of 2013, higher operating income reflected increased shipment volumes and higher unit sales realizations coupled with lower unit conversion costs principally resulting from higher production volume in the current quarter due to a scheduled maintenance outage in the comparable period in 2013. These gains were partially offset by market-driven increases in slush pulp costs in the current quarter.

Markets

Global kraft paper demand remained strong through the fourth quarter of 2014 with full order files for both North American and offshore markets. Anticipated new capacity in Europe did not impact overall supply in the period due to start up delays.

Sales

The Company's paper shipments in the fourth quarter of 2014 were 35,800 tonnes, in line with the previous quarter. Compared to the same period of the previous year, paper shipments were up 4,700 tonnes, or 15%, principally reflecting higher production levels. Prime bleached shipments, which attract higher prices, were down 3% from the previous quarter but up 6% from the fourth quarter of 2013.

Current quarter unit sales realizations saw a marginal increase from the third quarter of 2014, with the impact of the 4% weaker Canadian dollar more than offsetting the lower prime bleached product shipments in the current quarter. Compared to the same period in 2013, unit sales realizations were well up, largely the result of the 8% weaker Canadian dollar as well as increased prices and the higher prime bleached paper shipments.

Operations

Paper production in the fourth quarter of 2014 was 36,000 tonnes, in line with the previous quarter and up 5,200 tonnes, or 17%, from the fourth quarter of 2013. The increase in production compared to the fourth quarter of 2013 was mostly due to a scheduled maintenance outage at the Company's paper machine in October 2013. Operating rates in the current quarter were improved from both comparable periods, further contributing to higher production volumes.

Paper unit manufacturing costs increased moderately from the previous quarter, reflecting higher slush pulp costs due to higher overall pulp sales realizations in the current quarter along with the timing of spend on maintenance and operating supplies in the current quarter, mitigated slightly by lower energy costs.

Compared to the fourth quarter of 2013, unit manufacturing costs showed a marginal increase, as higher costs for slush pulp, principally reflecting higher market pulp prices, and chemical costs, were partly offset by lower maintenance and operating costs, mostly due to a scheduled maintenance outage in the comparative period and corresponding lower production volumes.

Unallocated Items

Selected Financial Information

(millions of Canadian dollars)	**Q4 2014**	Q3 2014	**YTD 2014**	Q4 2013	YTD 2013
Corporate costs	**$ (2.9)**	$ (2.6)	**$ (11.6)**	$ (3.9)	$ (12.1)
Finance expense, net	**$ (1.4)**	$ (1.3)	**$ (5.5)**	$ (3.2)	$ (11.8)
Foreign exchange loss on long-term debt	**$ -**	$ -	**$ -**	$ (3.4)	$ (7.3)
Loss on derivative financial instruments	**$ (0.8)**	$ (0.3)	**$ (1.9)**	$ (0.1)	$ (0.1)
Other income (expense), net	**$ 1.8**	$ 3.0	**$ 2.0**	$ 2.2	$ 5.2

Corporate costs were $2.9 million for the fourth quarter of 2014, up slightly from the previous quarter and down $1.0 million from the fourth quarter of 2013. The comparable period in 2013 included costs associated with the wind-up of Canfor Pulp Limited Partnership at the end of 2013.

Net finance expense for the fourth quarter of 2014 was $1.4 million, in line with the third quarter of 2014, and down $1.8 million from the fourth quarter of 2013. The decrease from the same quarter in 2013 reflected lower debt levels in the current quarter coupled with lower employee future benefit net interest costs, due in part to the improved financial position of the Company's largest defined benefit plan. Net finance expense in the comparable period in 2013 also included costs associated with new term debt and extension of the Company's operating loan facility.

The Company uses a variety of derivative financial instruments as partial economic hedges against unfavourable changes in foreign exchange rates, energy costs, interest rates and pulp prices. For the fourth quarter of 2014, the Company recorded a net loss of $0.8 million largely reflecting unrealized losses on crude oil collars stemming from the sharp decline in oil prices at the end of 2014, with oil prices declining further early in 2015. Also contributing to the loss, to a lesser degree, were unrealized losses on US dollar foreign exchange collars mostly as a result of the weakening of the Canadian dollar at the close of the current quarter relative to the exchange rate at the close of the third quarter of 2014.

Other income, net for the fourth quarter of 2014 of $1.8 million reflected favourable exchange movements on US dollar denominated cash, receivables and payables, resulting from the weakening of the Canadian dollar through the quarter.

Other Comprehensive Income (Loss)

In the fourth quarter of 2014, the Company recorded an after-tax loss of $12.3 million in relation to changes in the valuation of the Company's employee future benefit plans. The loss principally reflects a lower discount rate used to value the net defined benefit obligation and actuarial experience adjustments related to certain defined benefit pension plans, offset in part by a return on plan assets. In the previous quarter, an after-tax gain of $1.8 million was recorded due to a modest return on plan assets coupled with a slightly higher discount rate. In the fourth quarter of 2013, an after-tax actuarial gain of $16.0 million was recorded.

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)	Q4 2014	Q3 2014	YTD 2014	Q4 2013	YTD 2013
Increase (decrease) in cash and cash equivalents	**$ 37.0**	$ 1.6	**$ 63.3**	$ (15.2)	$ 14.7
Operating activities	**$ 53.2**	$ 24.7	**$ 153.4**	$ 69.1	$ 156.9
Financing activities	**$ (5.1)**	$ (7.0)	**$ (32.7)**	$ (64.5)	$ (81.8)
Investing activities	**$ (11.1)**	$ (16.1)	**$ (57.4)**	$ (19.8)	$ (60.4)
Ratio of current assets to current liabilities			**2.5 : 1**		1.8 : 1
Net debt to capitalization			**(5.8)%**		9.7%
ROIC – Consolidated period-to-date	**4.6%**	5.3%	**19.6%**	4.0%	12.1%

Changes in Financial Position

Cash generated from operating activities was $53.2 million in the fourth quarter of 2014, up $28.5 million from the previous quarter, with a decrease in non-cash working capital and tax installment payments in the current quarter more than offsetting the slightly lower cash earnings. The positive working capital movements for the most part reflected a reduction in finished pulp inventories following a seasonal increase in the third quarter of 2014. The previous quarter's cash flows also included annual property tax and insurance payments. Compared to the fourth quarter of 2013, cash generated from operating activities decreased by $15.9 million, largely reflecting a higher reduction in finished pulp inventory levels in the comparable period of 2013.

Cash used for financing activities was $5.1 million in the fourth quarter of 2014, down $1.9 million from the previous quarter and down $59.4 million from the fourth quarter of 2013. Cash flows in the current period included a $4.4 million dividend (6.25 cents per share), in line with the previous quarter and up from $3.5 million (5 cents per share) in the fourth quarter of 2013. Finance expenses paid in the fourth quarter of 2014 at $0.7 million were in line with the third quarter of 2014 and down $4.2 million from the fourth quarter of 2013, reflecting finance costs paid in the comparable period of 2013 related to the final interest payment on the Company's US$110 million term debt. There were no shares purchased under the Company's Normal Course Issuer Bid in the fourth quarter of 2014 or the comparable period in 2013; in the third quarter of 2014, $2.0 million of shares were purchased (see further discussion of the shares purchased under the Normal Course Issuer Bid in the following "Liquidity and Financial Requirements" section). The fourth quarter of 2013 cash flows also included repayment of the Company's US$110 million 6.41% interest rate debt and completion of a $50.0 million unsecured non-revolving floating rate term debt financing. No amounts were drawn against the Company's operating loan facility at the end of the fourth quarter of 2014.

Cash used for investing activities of $11.1 million in the current quarter included payments related to the Intercontinental Pulp Mill's turbine upgrade. The Company anticipates that it will complete the upgrades to the Intercontinental Pulp Mill turbine and commence selling power under an Electricity Purchase Agreement by the second quarter of 2015.

Liquidity and Financial Requirements

At December 31, 2014, CPPI had cash of $76.8 million and operating loan facilities of $130.0 million which were unused, except for $12.2 million reserved for several standby letters of credit related to energy sales agreements.

CPPI has $50.0 million of floating interest rate term debt, repayable in November 2018.

The Company remained in compliance with the covenants relating to its operating loans and long-term debt during the quarter, and expects to remain so for the foreseeable future.

On March 5, 2014, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 3,550,367 common shares or approximately 5% of its issued and outstanding common shares as of February 28, 2014. The renewed normal course issuer bid is set to expire on March 4, 2015. There were no share purchases by the Company during the fourth quarter of 2014. For the year ended December 31, 2014, CPPI purchased 177,518 common shares for $2.0 million (an average of $11.27 per common share). As a result of the total share purchases during the year, Canfor's interest in CPPI increased to 50.5% by year end.

Dividends

On February 4, 2015, the Board of Directors declared a quarterly dividend of $0.0625 per share, payable on February 24, 2015, to the shareholders of record on February 17, 2015. CPPI may, subject to market conditions, continue to pay a comparable level of dividends through 2015.

Subsequent Event - Purchase of Taylor Pulp Mill

On January 30, 2015, CPPI completed the purchase of the BCTMP Taylor Pulp Mill from Canfor for cash proceeds of approximately $15.0 million including working capital. The transaction also includes a long-term fibre supply agreement under which Canfor will supply fibre to the Taylor Pulp Mill at prices that approximate fair market value. In addition to the cash proceeds, Canfor may also receive contingent consideration over a 3 year period, starting January 31, 2015, based on the Taylor Pulp Mill's annual adjusted operating income before amortization. On the acquisition date the fair value of the contingent consideration was approximately $1.8 million. CPPI recognized long-term assets acquired net of liabilities assumed of approximately $2.8 million and net working capital of approximately $14.0 million. The acquisition has been accounted for in accordance with IFRS 3 *Business Combinations.*

OUTLOOK

Pulp

For the month of January 2015, NBSK pulp list prices were down from December 2014, with the NBSK pulp list price to North America at US$1,010 per tonne, down US$10 per tonne, and the list prices to China and Europe down US$20 per tonne at US$680 per tonne and US$915 per tonne, respectively. For the month of February 2015, the Company has announced a NBSK pulp list price of US$1,000 per tonne in North America. There are no maintenance outages planned for the first quarter of 2015. NBSK pulp list prices are anticipated to continue to soften modestly through the first quarter of 2015, with a modest growth in producer inventories due in part to minimal industry maintenance during the first quarter and NBSK pulp production facilities running at or near capacity; however, the continued weakening of the Canadian dollar is currently projected to outweigh the forecast declines in NBSK pulp list prices. For the second quarter of 2015, producer inventories are forecast to decline during the industry's spring maintenance period.

Maintenance outages are currently planned at the Intercontinental and Prince George Mills in the second quarter of 2015 with a projected 10,000 tonnes of reduced production and at the Northwood Mill in the fourth quarter of 2015 with a projected 25,000 tonnes of reduced production.

Paper

Kraft paper markets are softening slightly heading into the first quarter of 2015. There is potential for some modest downward pressure on prices in North American markets in the first quarter of 2015 with increased competition for business from European paper producers. Any decreases in prices are anticipated to be mitigated by a projected further weakening of the Canadian dollar.

Canfor Pulp Products Inc.
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		As at December 31, 2014		As at December 31, 2013
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**76.8**	$	13.5
Accounts receivable - Trade		**60.7**		71.0
- Other		**10.0**		10.3
Inventories (Note 2)		**143.7**		128.0
Prepaid expenses and other assets		**11.2**		7.2
Total current assets		**302.4**		230.0
Property, plant and equipment		**524.1**		528.1
Retirement benefit surplus (Note 4)		**-**		8.2
Other long-term assets		**0.9**		2.3
Total assets	**$**	**827.4**	$	768.6
LIABILITIES				
Current liabilities				
Operating loans (Note 3)	**$**	**-**	$	10.6
Accounts payable and accrued liabilities		**123.2**		118.4
Total current liabilities		**123.2**		129.0
Long-term debt		**50.0**		50.0
Retirement benefit obligations (Note 4)		**94.9**		75.8
Other long-term provisions		**4.2**		3.0
Deferred income taxes, net		**65.5**		72.8
Total liabilities	**$**	**337.8**	$	330.6
EQUITY				
Share capital	**$**	**522.1**	$	523.4
Retained earnings (deficit)		**(32.5)**		(85.4)
Total equity	**$**	**489.6**	$	438.0
Total liabilities and equity	**$**	**827.4**	$	768.6

Subsequent Events (Note 11)

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

APPROVED BY THE BOARD

Director, S.E. Bracken-Horrocks

Director, M.J. Korenberg

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Income

(millions of Canadian dollars, except per share data, unaudited)	3 months ended December 31, **2014**	3 months ended December 31, 2013	12 months ended December 31, **2014**	12 months ended December 31, 2013
Sales	**$ 264.0**	$ 245.6	**$ 980.5**	$ 886.8
Costs and expenses				
Manufacturing and product costs	**179.3**	165.0	**635.5**	595.1
Freight and other distribution costs	**34.3**	33.2	**129.1**	123.3
Amortization	**15.2**	15.5	**62.7**	69.9
Selling and administration costs	**7.2**	7.2	**27.8**	24.0
Restructuring and severance costs	**-**	0.7	**-**	0.7
	236.0	221.6	**855.1**	813.0
Operating income	**28.0**	24.0	**125.4**	73.8
Finance expense, net	**(1.4)**	(3.2)	**(5.5)**	(11.8)
Foreign exchange loss on long-term debt	**-**	(3.4)	**-**	(7.3)
Loss on derivative financial instruments (Note 5)	**(0.8)**	(0.1)	**(1.9)**	(0.1)
Other income, net	**1.8**	2.2	**2.0**	5.2
Net income before income taxes	**27.6**	19.5	**120.0**	59.8
Income tax expense (Note 6)	**(6.9)**	(5.3)	**(30.5)**	(18.0)
Net income	**$ 20.7**	$ 14.2	**$ 89.5**	$ 41.8
Net income per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 7)	**$ 0.29**	$ 0.20	**$ 1.26**	$ 0.59

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

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

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2014**	3 months ended December 31, 2013	12 months ended December 31, **2014**	12 months ended December 31, 2013
Net income	**$ 20.7**	$ 14.2	**$ 89.5**	$ 41.8
Other comprehensive income (loss)				
Items that will not be recycled through net income:				
Defined benefit plan actuarial gains (losses) (Note 4)	**(16.6)**	21.9	**(25.8)**	35.5
Income tax recovery (expense) on defined benefit plan actuarial gains (losses) (Note 6)	**4.3**	(5.9)	**6.7**	(9.3)
Other comprehensive income (loss), net of tax	**(12.3)**	16.0	**(19.1)**	26.2
Total comprehensive income	**$ 8.4**	$ 30.2	**$ 70.4**	$ 68.0

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2014**	3 months ended December 31, 2013	12 months ended December 31, **2014**	12 months ended December 31, 2013
Share capital				
Balance at beginning of period	**$ 522.1**	$ 523.4	**$ 523.4**	$ 525.3
Share purchases (Note 7)	**-**	-	**(1.3)**	(1.9)
Balance at end of period	**$ 522.1**	$ 523.4	**$ 522.1**	$ 523.4
Retained earnings (deficit)				
Balance at beginning of period	**$ (36.5)**	$ (112.1)	**$ (85.4)**	$ (138.7)
Net income	**20.7**	14.2	**89.5**	41.8
Defined benefit plan actuarial gains (losses), net of tax	**(12.3)**	16.0	**(19.1)**	26.2
Dividends declared	**(4.4)**	(3.5)	**(16.8)**	(14.2)
Share purchases (Note 7)	**-**	-	**(0.7)**	(0.5)
Balance at end of period	**$ (32.5)**	$ (85.4)	**$ (32.5)**	$ (85.4)
Total equity	**$ 489.6**	$ 438.0	**$ 489.6**	$ 438.0

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

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended December 31, 2014	2013	12 months ended December 31, 2014	2013
Cash generated from (used in):				
Operating activities				
Net income	**$ 20.7**	$ 14.2	**$ 89.5**	$ 41.8
Items not affecting cash:				
Amortization	**15.2**	15.5	**62.7**	69.9
Income tax expense	**6.9**	5.3	**30.5**	18.0
Changes in mark-to-market value of derivative financial instruments	**0.6**	0.1	**0.8**	0.2
Employee future benefits	**1.0**	1.0	**4.6**	5.1
Net finance expense	**1.4**	3.2	**5.5**	11.8
Foreign exchange loss on long-term debt	**-**	3.4	**-**	7.3
Other, net	**1.0**	1.3	**4.2**	(2.8)
Defined benefit plan contributions	**(1.1)**	(2.5)	**(6.1)**	(10.1)
Income taxes paid, net	**(1.0)**	(0.3)	**(24.4)**	(0.4)
	44.7	41.2	**167.3**	140.8
Net change in non-cash working capital (Note 8)	**8.5**	27.9	**(13.9)**	16.1
	53.2	69.1	**153.4**	156.9
Financing activities				
Proceeds from long-term debt	**-**	50.0	**-**	50.0
Repayment of long-term debt	**-**	(116.6)	**-**	(116.6)
Change in operating bank loans	**-**	10.6	**(11.2)**	10.6
Finance expenses paid	**(0.7)**	(4.9)	**(2.7)**	(9.1)
Dividends paid	**(4.4)**	(3.5)	**(16.8)**	(14.2)
Share purchases (Note 7)	**-**	-	**(2.0)**	(2.4)
Other, net	**-**	(0.1)	**-**	(0.1)
	(5.1)	(64.5)	**(32.7)**	(81.8)
Investing activities				
Additions to property, plant and equipment, net	**(11.3)**	(19.9)	**(57.7)**	(61.2)
Other, net	**0.2**	0.1	**0.3**	0.8
	(11.1)	(19.8)	**(57.4)**	(60.4)
Increase in cash and cash equivalents*	**37.0**	(15.2)	**63.3**	14.7
Cash and cash equivalents at beginning of period*	**39.8**	28.7	**13.5**	(1.2)
Cash and cash equivalents at end of period*	**$ 76.8**	$ 13.5	**$ 76.8**	$ 13.5

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

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

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, and include the accounts of Canfor Pulp Products Inc. ("CPPI") and its subsidiary entities, hereinafter referred to as "CPPI" or "the Company". At December 31, 2014, Canfor Corporation ("Canfor") held a 50.5% 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, 2013, available at www.canforpulp.com or www.sedar.com.

Accounting Standards Issued and Not Applied

In July 2014, the International Accounting Standards Board ("IASB") issued IFRS 9, *Financial Instruments*. The required adoption date for IFRS 9 is January 1, 2018 and the Company is in process of assessing the impact, if any, on the financial statements of this new standard.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which will supersede IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2017. The Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

2. Inventories

(millions of Canadian dollars)	**As at December 31, 2014**	As at December 31, 2013
Pulp	**$ 68.8**	$ 52.8
Paper	**17.4**	15.7
Wood chips and logs	**12.1**	14.1
Processing materials and supplies	**45.4**	45.4
	$ 143.7	$ 128.0

3. Operating Loans

Available Operating Loans

(millions of Canadian dollars)	**As at December 31, 2014**	As at December 31, 2013
Available Operating Loans:		
Operating loan facility	**$ 110.0**	$ 110.0
Facility for letters of credit related to energy agreements	**20.0**	20.0
Total operating loans	**130.0**	130.0
Drawn	**-**	(10.6)
Energy letters of credit	**(12.2)**	(12.2)
Total available operating loans	**$ 117.8**	$ 107.2

The terms of the Company's operating loan facility include interest payable at floating rates that vary depending on the ratio of net 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 that stipulate maximum net debt to total capitalization ratios and minimum net worth amounts based on shareholders' equity. The maturity date of this facility is January 31, 2018.

The Company has a separate facility with a maturity date of June 30, 2015 to cover energy-related letters of credit. At December 31, 2014, $9.4 million of energy-related letters of credit were covered under this facility with the balance of $2.8 million covered under the Company's general operating loan facility.

As at December 31, 2014, the Company was in compliance with all covenants relating to its operating loans.

4. Employee Future Benefits

For the three months ended December 31, 2014, a defined benefit actuarial loss of $16.6 million (before-tax) was recognized in other comprehensive income. The loss recorded in the fourth quarter of 2014 principally reflects a lower discount rate used to value the net defined benefit obligation and actuarial experience adjustments related to certain defined benefit pension plans, offset in part by a return on plan assets. For the twelve months ended December 31, 2014, a defined benefit actuarial loss of $25.8 million (before-tax) was recognized in other comprehensive income. For the three and twelve months ended December 31, 2013, gains of $21.9 million (before-tax) and $35.5 million (before-tax) were recognized in other comprehensive income, respectively.

For the Company's employee future benefit plans, a one percentage point increase in the discount rate used in calculating the actuarial estimate of future liabilities would decrease the accrued benefit obligation by an estimated $26.4 million.

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

	Pension Benefit Plans	**Other Benefit Plans**
December 31, 2014	**3.90%**	**3.90%**
September 30, 2014	4.40%	4.40%
December 31, 2013	4.80%	4.90%
September 30, 2013	4.70%	4.80%
December 31, 2012	4.20%	4.40%

5. Financial Instruments

CPPI's cash and cash equivalents, accounts receivable, loans and advances, operating loans, accounts payable and accrued liabilities, and long-term debt are measured at amortized cost subsequent to initial recognition. At December 31, 2014, the fair value of the Company's long-term debt approximates its amortized cost of $50.0 million (December 31, 2013 - $50.0 million).

Derivative instruments are measured at fair value. IFRS 13, *Fair Value Measurement,* requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

The Company uses a variety of derivative financial instruments to reduce its exposure to risks associated with fluctuations in foreign exchange rates, pulp prices, energy costs, and floating interest rates on long-term debt.

At December 31, 2014, the fair value of derivative financial instruments was a net liability of $1.0 million (December 31, 2013 – net liability of $0.1 million). The fair value of these financial instruments was determined based on prevailing market rates for instruments with similar characteristics.

The following table summarizes the gain (loss) on level 2 derivative financial instruments for the three and twelve month periods ended December 31, 2014 and 2013:

	3 months ended December 31,		12 months ended December 31,	
(millions of Canadian dollars)	**2014**	2013	**2014**	2013
Foreign exchange collars	**$ (0.1)**	$ 0.1	**$ (0.3)**	$ 0.1
Energy derivatives	**(0.7)**	(0.1)	**(0.7)**	0.1
Interest rate swaps	**-**	-	**(0.1)**	(0.2)
Pulp futures	**-**	(0.1)	**(0.8)**	(0.1)
Loss on derivative financial instruments	**$ (0.8)**	$ (0.1)	**$ (1.9)**	$ (0.1)

6. Income Taxes

	3 months ended December 31,		12 months ended December 31,	
(millions of Canadian dollars)	**2014**	2013	**2014**	2013
Current	**$ (10.0)**	$ (4.4)	**$ (31.0)**	$ (14.4)
Deferred	**3.1**	(0.9)	**0.5**	(3.6)
Income tax expense	**$ (6.9)**	$ (5.3)	**$ (30.5)**	$ (18.0)

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

	3 months ended December 31,		12 months ended December 31,	
(millions of Canadian dollars)	**2014**	2013	**2014**	2013
Income tax expense at statutory rate 2014 – 26.0% (2013 – 25.75%)[1]	**$ (7.2)**	$ (5.0)	**$ (31.2)**	$ (15.4)
Add (deduct):				
Entities with different income tax rates and other tax adjustments	**0.3**	0.2	**0.8**	0.8
Permanent difference from capital gains and other non-deductible items	**-**	(0.5)	**(0.1)**	(1.0)
Change in substantively enacted tax rate[1]	**-**	-	**-**	(2.4)
Income tax expense	**$ (6.9)**	$ (5.3)	**$ (30.5)**	$ (18.0)

[1] In the second quarter of 2013, the Provincial Government of British Columbia increased the corporate tax rate from 10% to 11%.

In addition to the amounts recorded to net income, a tax recovery of $4.3 million was recorded to other comprehensive income for the three month period ended December 31, 2014 (three months ended December 31, 2013 – tax expense of $5.9 million) in relation to the actuarial gains (losses) on defined benefit employee compensation plans. For the twelve months ended December 31, 2014, the tax recovery was $6.7 million (twelve months ended December 31, 2013 – tax expense of $9.3 million).

7. 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,	
	2014	2013	**2014**	2013
Weighted average number of common shares	**70,829,823**	71,007,341	**70,949,525**	71,149,822

On March 5, 2014, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 3,550,367 common shares or approximately 5% of its issued and outstanding common shares as of February 28, 2014. The renewed normal course issuer bid is set to expire on March 4, 2015. During the fourth quarter of 2014, no common shares were purchased under the normal course issuer bid. For the twelve months ended December 31, 2014, CPPI purchased 177,518 common shares for $2.0 million (an average price of $11.27 per common share). As a result of the total share purchases during the year, Canfor's interest in CPPI increased to 50.5% by year end. As at February 4, 2015 there were 70,829,823 common shares outstanding.

8. Net Change in Non-Cash Working Capital

(millions of Canadian dollars)	3 months ended December 31, 2014	3 months ended December 31, 2013	12 months ended December 31, 2014	12 months ended December 31, 2013
Accounts receivable	**$ 5.2**	$ (4.0)	**$ 11.5**	$ (0.3)
Inventories	**5.7**	20.0	**(15.6)**	6.1
Prepaid expenses and other assets	**0.3**	5.8	**(5.6)**	2.7
Accounts payable and accrued liabilities	**(2.7)**	6.1	**(4.2)**	7.6
Net decrease (increase) in non-cash working capital	**$ 8.5**	$ 27.9	**$ (13.9)**	$ 16.1

9. Segment Information

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

Sales between 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)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
3 months ended December 31, 2014					
Sales to external customers	**$ 221.4**	**42.5**	**0.1**	**-**	**$ 264.0**
Sales to other segments	**$ 23.8**	**-**	**-**	**(23.8)**	**$ -**
Operating income (loss)	**$ 23.7**	**7.2**	**(2.9)**	**-**	**$ 28.0**
Amortization	**$ 14.3**	**0.8**	**0.1**	**-**	**$ 15.2**
Capital expenditures[2]	**$ 10.6**	**0.3**	**0.4**	**-**	**$ 11.3**
3 months ended December 31, 2013					
Sales to external customers	$ 212.3	33.2	0.1	-	$ 245.6
Sales to other segments	$ 18.7	-	-	(18.7)	$ -
Operating income (loss)	$ 24.1	3.8	(3.9)	-	$ 24.0
Amortization	$ 14.7	0.8	-	-	$ 15.5
Capital expenditures[2]	$ 19.4	0.4	0.1	-	$ 19.9
12 months ended December 31, 2014					
Sales to external customers	**$ 816.4**	**162.8**	**1.3**	**-**	**$ 980.5**
Sales to other segments	**$ 93.8**	**-**	**-**	**(93.8)**	**$ -**
Operating income (loss)	**$ 115.0**	**22.0**	**(11.6)**	**-**	**$ 125.4**
Amortization	**$ 59.2**	**3.4**	**0.1**	**-**	**$ 62.7**
Capital expenditures[2]	**$ 56.2**	**1.1**	**0.4**	**-**	**$ 57.7**
Identifiable assets	**$ 677.9**	**57.6**	**91.9**	**-**	**$ 827.4**
12 months ended December 31, 2013					
Sales to external customers	$ 738.4	147.1	1.3	-	$ 886.8
Sales to other segments	$ 76.2	-	-	(76.2)	$ -
Operating income (loss)	$ 63.2	22.7	(12.1)	-	$ 73.8
Amortization	$ 66.1	3.7	0.1	-	$ 69.9
Capital expenditures[2]	$ 60.1	0.9	0.2	-	$ 61.2
Identifiable assets	$ 674.9	56.7	37.0	-	$ 768.6

[2] Capital expenditures represent cash paid for capital assets during the period and include capital expenditures financed by government grants.

10. Related Party Transactions

In 2014, the Company relied on Canfor to provide approximately 59% (2013 – 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, 2013 audited consolidated financial statements of CPPI and are based on agreed upon amounts between the parties.

Transactions and payables to Canfor include purchases of wood chips, logs, pulp and administrative services. These are summarized below:

(millions of Canadian dollars)	3 months ended December 31, **2014**	3 months ended December 31, 2013	12 months ended December 31, **2014**	12 months ended December 31, 2013
Transactions				
Purchase of wood chips and other, net	**$ 40.6**	$ 30.5	**$ 150.1**	$ 127.5

(millions of Canadian dollars)	**As at December 31, 2014**	As at December 31, 2013
Balance Sheet		
Included in accounts payable and accrued liabilities:	**$ 18.0**	$ 18.9
Included in trade and other accounts receivable:	**$ 1.7**	$ 9.0

11. Subsequent Events

(a) Dividends

On February 4, 2015, the Board of Directors declared a quarterly dividend of $0.0625 per share, payable on February 24, 2015, to shareholders of record on February 17, 2015.

(b) Purchase of Taylor Pulp Mill

On January 30, 2015, CPPI completed the purchase of the BCTMP Taylor Pulp Mill from Canfor for cash proceeds of approximately $15.0 million including working capital. The transaction also includes a long-term fibre supply agreement under which Canfor will supply fibre to the Taylor Pulp Mill at prices that approximate fair market value. In addition to the cash proceeds, Canfor may also receive contingent consideration over a 3 year period, starting January 31, 2015, based on the Taylor Pulp Mill's annual adjusted operating income before amortization. On the acquisition date the fair value of the contingent consideration was approximately $1.8 million. CPPI recognized long-term assets acquired net of liabilities assumed of approximately $2.8 million and net working capital of approximately $14.0 million. The acquisition has been accounted for in accordance with IFRS 3 *Business Combinations.*