

### FOR IMMEDIATE RELEASE

## CANFOR PULP PRODUCTS INC. ANNOUNCES FOURTH QUARTER 2015 RESULTS AND QUARTERLY DIVIDEND

February 17, 2016 - Vancouver, B.C. - Canfor Pulp Products Inc. ("CPPI") (TSX: CFX) today reported net income of \$29.7 million, or \$0.43 per share, for the fourth quarter of 2015, compared to \$31.2 million, or \$0.45 per share, for the third quarter of 2015 and \$20.7 million, or \$0.29 per share, for the fourth quarter of 2014. For the year ended December 31, 2015, the Company's net income was \$106.6 million, or \$1.52 per share, compared to \$89.5 million, or \$1.26 per share, for 2014.

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

| (millions of Canadian dollars, except per share amounts) | Q4<br>2015 | Q3<br>2015 | YTD<br>2015 | Q4<br>2014 | YTD<br>2014 |
|----------------------------------------------------------|------------|------------|-------------|------------|-------------|
| Sales                                                    | \$ 330.8   | \$ 294.1   | \$ 1,174.7  | \$ 264.0   | \$ 980.5    |
| Operating income before amortization                     | \$ 56.2    | \$ 58.7    | \$ 208.4    | \$ 43.2    | \$ 188.1    |
| Operating income                                         | \$ 38.6    | \$ 42.3    | \$ 143.2    | \$ 28.0    | \$ 125.4    |
| Net income                                               | \$ 29.7    | \$ 31.2    | \$ 106.6    | \$ 20.7    | \$ 89.5     |
| Net income per share, basic and diluted                  | \$ 0.43    | \$ 0.45    | \$ 1.52     | \$ 0.29    | \$ 1.26     |
| Adjusted net income                                      | \$ 29.0    | \$ 34.8    | \$ 111.8    | \$ 21.3    | \$ 90.9     |
| Adjusted net income per share, basic and diluted         | \$ 0.42    | \$ 0.50    | \$ 1.59     | \$ 0.30    | \$ 1.28     |

After adjusting for items affecting comparability with the prior periods, the Company's adjusted net income for the fourth quarter of 2015 was \$29.0 million, or \$0.42 per share, compared to an adjusted net income of \$34.8 million, or \$0.50 per share, for the third quarter of 2015. For 2015, CPPI's adjusted net income was \$111.8 million, or \$1.59 per share, compared to \$90.9 million, or \$1.28 per share, for 2014.

The Company reported operating income of \$38.6 million for the fourth quarter of 2015, a decrease of \$3.7 million from \$42.3 million reported for the third quarter of 2015. Fourth quarter results reflected increased pulp production and shipment volumes as well as higher energy revenues, which largely offset slightly lower Northern Bleached Softwood Kraft ("NBSK") pulp sales realizations and costs associated with the scheduled maintenance outage at the Company's Northwood pulp mill in October. The increased pulp production and energy revenue reflected improved operating rates, and, in the case of energy revenue, seasonally higher energy prices.

Global softwood pulp markets weakened somewhat through most of the fourth quarter of 2015, before stabilizing towards the end of the year, reflecting to some extent recent increases in hardwood pulp supply, particularly in China. The average NBSK pulp list price to North America, as published by RISI, was down US\$22 per tonne, or 2%, to US\$945 per tonne while more pronounced declines were seen in average US-dollar NBSK pulp list prices to China and Europe. Overall, however, NBSK pulp unit sales realizations were down only slightly from the third quarter of 2015 as the continued weakening of the Canadian dollar which was down 2% from the previous quarter, mitigated the impact of lower prices. Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") markets remained under pressure in the fourth quarter of 2015, with unit sales realizations down slightly compared to the previous quarter. In December, the Company temporarily curtailed operations at the Taylor pulp mill for eight days in response to the challenging BCTMP market conditions.

Pulp shipments were up 16% from the previous quarter reflecting solid demand for the Company's NBSK premium reinforcing pulp products. Pulp production was up approximately 4%, as improved operating rates and additional operating days more than offset the impact of the Northwood pulp mill scheduled maintenance outage, which reduced market pulp production by 20,000 tonnes in the current quarter (compared to 6,000 tonnes in the third quarter). Pulp unit manufacturing costs were up slightly from the previous quarter, for the most part reflecting costs associated with the Northwood pulp mill maintenance outage and seasonally higher energy costs, which more than offset lower fibre costs and improved productivity.

Operating income in the Company's paper segment at \$6.9 million for the fourth quarter of 2015 was broadly in line with the previous quarter as increased production and shipment volumes offset slightly lower unit sales realizations.

In the fourth quarter of 2015, the Company purchased 692,985 common shares and continued its quarterly dividend of \$0.0625 per share returning a total of \$14.1 million to shareholders. For 2015, the Company returned a total of \$122.1 million to shareholders through its dividend and share purchase programs including a special dividend of \$79.0 million paid in August.

Commenting on the fourth quarter's results, CPPI's Chief Executive Officer, Don Kayne, said, "Canfor Pulp had another quarter of solid operating results, reflecting not only relatively stable Canadian-dollar sales realizations, but strong operating performance and the continued growth of the green energy business."

For the month of January 2016, NBSK pulp list prices were unchanged in North America at US\$940 per tonne, while prices to China decreased US\$5 to US\$590 per tonne. For the month of March 2016, the Company has announced a list price of US\$960 per tonne in North America. In the second quarter of 2016, producer inventories are forecast to decline during the industry's traditional spring maintenance period. There are no maintenance outages planned for the first quarter of 2016.

On February 17, 2016, the Board of Directors declared a quarterly dividend of \$0.0625 per share, payable on March 8, 2016 to the shareholders of record on March 1, 2016.

Refer to the Company's Annual Management's Discussion and Analysis for further discussion on the Company's results for the fourth quarter of 2015.

#### **Additional Information and Conference Call**

A conference call to discuss the fourth quarter's financial and operating results will be held on Thursday, February 18, 2016 at 8:00 AM Pacific time. To participate in the call, please dial 416-764-8688 or Toll-Free 888-390-0546. For instant replay access until March 3, 2016, please dial 888-390-0541 and enter participant pass code 947930#. The conference call will be webcast live and will be available at [www.canfor.com](http://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/overview>

#### **Forward Looking Statements**

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

*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 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

|                                           | As at<br>December 31,<br>2015 | As at<br>December 31,<br>2014 |
|-------------------------------------------|-------------------------------|-------------------------------|
| (millions of Canadian dollars, unaudited) |                               |                               |
| <b>ASSETS</b>                             |                               |                               |
| <b>Current assets</b>                     |                               |                               |
| Cash and cash equivalents                 | \$ 17.5                       | \$ 76.8                       |
| Accounts receivable - Trade               | 101.8                         | 60.7                          |
| - Other                                   | 17.5                          | 10.0                          |
| Inventories                               | 163.8                         | 143.7                         |
| Prepaid expenses and other assets         | 7.5                           | 11.2                          |
| <b>Total current assets</b>               | <b>308.1</b>                  | <b>302.4</b>                  |
| <b>Property, plant and equipment</b>      | <b>532.3</b>                  | <b>524.1</b>                  |
| <b>Other long-term assets</b>             | <b>0.9</b>                    | <b>0.9</b>                    |
| <b>Total assets</b>                       | <b>\$ 841.3</b>               | <b>\$ 827.4</b>               |
| <b>LIABILITIES</b>                        |                               |                               |
| <b>Current liabilities</b>                |                               |                               |
| Accounts payable and accrued liabilities  | \$ 144.2                      | \$ 123.2                      |
| <b>Total current liabilities</b>          | <b>144.2</b>                  | <b>123.2</b>                  |
| <b>Long-term debt</b>                     | <b>50.0</b>                   | <b>50.0</b>                   |
| <b>Retirement benefit obligations</b>     | <b>93.0</b>                   | <b>94.9</b>                   |
| <b>Other long-term provisions</b>         | <b>6.2</b>                    | <b>4.2</b>                    |
| <b>Deferred income taxes, net</b>         | <b>68.2</b>                   | <b>65.5</b>                   |
| <b>Total liabilities</b>                  | <b>\$ 361.6</b>               | <b>\$ 337.8</b>               |
| <b>EQUITY</b>                             |                               |                               |
| Share capital                             | \$ 508.2                      | \$ 522.1                      |
| Retained earnings (deficit)               | (28.5)                        | (32.5)                        |
| <b>Total equity</b>                       | <b>\$ 479.7</b>               | <b>\$ 489.6</b>               |
| <b>Total liabilities and equity</b>       | <b>\$ 841.3</b>               | <b>\$ 827.4</b>               |

### Subsequent Event (Note 6)

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

*"M.J. Korenberg"*

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, |          | 12 months ended December 31, |          |
|------------------------------------------------------------------|-----------|-----------------------------|----------|------------------------------|----------|
|                                                                  |           | <b>2015</b>                 | 2014     | <b>2015</b>                  | 2014     |
| <b>Sales</b>                                                     | <b>\$</b> | <b>330.8</b>                | \$ 264.0 | <b>\$ 1,174.7</b>            | \$ 980.5 |
| <b>Costs and expenses</b>                                        |           |                             |          |                              |          |
| Manufacturing and product costs                                  |           | <b>220.5</b>                | 179.3    | <b>769.3</b>                 | 635.5    |
| Freight and other distribution costs                             |           | <b>47.0</b>                 | 34.3     | <b>169.0</b>                 | 129.1    |
| Amortization                                                     |           | <b>17.6</b>                 | 15.2     | <b>65.2</b>                  | 62.7     |
| Selling and administration costs                                 |           | <b>7.1</b>                  | 7.2      | <b>28.0</b>                  | 27.8     |
|                                                                  |           | <b>292.2</b>                | 236.0    | <b>1,031.5</b>               | 855.1    |
| <b>Operating income</b>                                          |           | <b>38.6</b>                 | 28.0     | <b>143.2</b>                 | 125.4    |
| Finance expense, net                                             |           | <b>(1.7)</b>                | (1.4)    | <b>(6.0)</b>                 | (5.5)    |
| Gain (loss) on derivative financial instruments                  |           | <b>0.9</b>                  | (0.8)    | <b>(8.8)</b>                 | (1.9)    |
| Other income, net                                                |           | <b>1.9</b>                  | 1.8      | <b>14.5</b>                  | 2.0      |
| Net income before income taxes                                   |           | <b>39.7</b>                 | 27.6     | <b>142.9</b>                 | 120.0    |
| Income tax expense (Note 2)                                      |           | <b>(10.0)</b>               | (6.9)    | <b>(36.3)</b>                | (30.5)   |
| <b>Net income</b>                                                | <b>\$</b> | <b>29.7</b>                 | \$ 20.7  | <b>\$ 106.6</b>              | \$ 89.5  |
| <b>Net income per common share:</b> (in Canadian dollars)        |           |                             |          |                              |          |
| Attributable to equity shareholders of the Company               |           |                             |          |                              |          |
| - Basic and diluted (Note 3)                                     | <b>\$</b> | <b>0.43</b>                 | \$ 0.29  | <b>\$ 1.52</b>               | \$ 1.26  |

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)**

|                                                                                         | 3 months ended December 31, |                | 12 months ended December 31, |                |
|-----------------------------------------------------------------------------------------|-----------------------------|----------------|------------------------------|----------------|
| (millions of Canadian dollars, unaudited)                                               | 2015                        | 2014           | 2015                         | 2014           |
| <b>Net income</b>                                                                       | <b>\$ 29.7</b>              | <b>\$ 20.7</b> | <b>\$ 106.6</b>              | <b>\$ 89.5</b> |
| <b>Other comprehensive income (loss)</b>                                                |                             |                |                              |                |
| Items that will not be recycled through net income:                                     |                             |                |                              |                |
| Defined benefit plan actuarial gains (losses)                                           | <b>0.7</b>                  | <b>(16.6)</b>  | <b>7.6</b>                   | <b>(25.8)</b>  |
| Income tax recovery (expense) on defined benefit plan actuarial gains (losses) (Note 2) | <b>(0.2)</b>                | <b>4.3</b>     | <b>(2.0)</b>                 | <b>6.7</b>     |
| Other comprehensive income (loss), net of tax                                           | <b>0.5</b>                  | <b>(12.3)</b>  | <b>5.6</b>                   | <b>(19.1)</b>  |
| <b>Total comprehensive income</b>                                                       | <b>\$ 30.2</b>              | <b>\$ 8.4</b>  | <b>\$ 112.2</b>              | <b>\$ 70.4</b> |

**Condensed Consolidated Statements of Changes in Equity**

|                                                           | 3 months ended December 31, |                  | 12 months ended December 31, |                  |
|-----------------------------------------------------------|-----------------------------|------------------|------------------------------|------------------|
| (millions of Canadian dollars, unaudited)                 | 2015                        | 2014             | 2015                         | 2014             |
| <b>Share capital</b>                                      |                             |                  |                              |                  |
| Balance at beginning of period                            | <b>\$ 513.4</b>             | <b>\$ 522.1</b>  | <b>\$ 522.1</b>              | <b>\$ 523.4</b>  |
| Share purchases (Note 3)                                  | <b>(5.2)</b>                | <b>-</b>         | <b>(13.9)</b>                | <b>(1.3)</b>     |
| Balance at end of period                                  | <b>\$ 508.2</b>             | <b>\$ 522.1</b>  | <b>\$ 508.2</b>              | <b>\$ 522.1</b>  |
| <b>Retained earnings (deficit)</b>                        |                             |                  |                              |                  |
| Balance at beginning of period                            | <b>\$ (49.8)</b>            | <b>\$ (36.5)</b> | <b>\$ (32.5)</b>             | <b>\$ (85.4)</b> |
| Net income                                                | <b>29.7</b>                 | <b>20.7</b>      | <b>106.6</b>                 | <b>89.5</b>      |
| Defined benefit plan actuarial gains (losses), net of tax | <b>0.5</b>                  | <b>(12.3)</b>    | <b>5.6</b>                   | <b>(19.1)</b>    |
| Dividends declared                                        | <b>(4.4)</b>                | <b>(4.4)</b>     | <b>(96.5)</b>                | <b>(16.8)</b>    |
| Share purchases (Note 3)                                  | <b>(4.5)</b>                | <b>-</b>         | <b>(11.7)</b>                | <b>(0.7)</b>     |
| Balance at end of period                                  | <b>\$ (28.5)</b>            | <b>\$ (32.5)</b> | <b>\$ (28.5)</b>             | <b>\$ (32.5)</b> |
| <b>Total equity</b>                                       | <b>\$ 479.7</b>             | <b>\$ 489.6</b>  | <b>\$ 479.7</b>              | <b>\$ 489.6</b>  |

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 December 31, |         | 12 months ended December 31, |         |
|---------------------------------------------------------------------|-----------------------------|---------|------------------------------|---------|
| (millions of Canadian dollars, unaudited)                           | 2015                        | 2014    | 2015                         | 2014    |
| <b>Cash generated from (used in):</b>                               |                             |         |                              |         |
| <b>Operating activities</b>                                         |                             |         |                              |         |
| Net income                                                          | \$ 29.7                     | \$ 20.7 | \$ 106.6                     | \$ 89.5 |
| Items not affecting cash:                                           |                             |         |                              |         |
| Amortization                                                        | 17.6                        | 15.2    | 65.2                         | 62.7    |
| Income tax expense                                                  | 10.0                        | 6.9     | 36.3                         | 30.5    |
| Changes in mark-to-market value of derivative financial instruments | (2.3)                       | 0.6     | (1.0)                        | 0.8     |
| Employee future benefits                                            | 1.3                         | 1.0     | 5.5                          | 4.6     |
| Finance expense, net                                                | 1.7                         | 1.4     | 6.0                          | 5.5     |
| Other, net                                                          | 0.6                         | 1.0     | (0.4)                        | 4.2     |
| Defined benefit pension plan contributions, net                     | (1.7)                       | (1.1)   | (3.9)                        | (6.1)   |
| Income taxes paid, net                                              | (2.0)                       | (1.0)   | (36.0)                       | (24.4)  |
|                                                                     | 54.9                        | 44.7    | 178.3                        | 167.3   |
| Net change in non-cash working capital (Note 4)                     | (11.8)                      | 8.5     | (32.9)                       | (13.9)  |
|                                                                     | 43.1                        | 53.2    | 145.4                        | 153.4   |
| <b>Financing activities</b>                                         |                             |         |                              |         |
| Change in operating bank loans                                      | -                           | -       | -                            | (11.2)  |
| Finance expenses paid                                               | (0.7)                       | (0.7)   | (2.7)                        | (2.7)   |
| Dividends paid                                                      | (4.4)                       | (4.4)   | (96.5)                       | (16.8)  |
| Share purchases (Note 3)                                            | (9.6)                       | -       | (25.3)                       | (2.0)   |
|                                                                     | (14.7)                      | (5.1)   | (124.5)                      | (32.7)  |
| <b>Investing activities</b>                                         |                             |         |                              |         |
| Additions to property, plant and equipment, net                     | (27.6)                      | (11.3)  | (68.3)                       | (57.7)  |
| Acquisition of Taylor pulp mill                                     | -                           | -       | (12.6)                       | -       |
| Other, net                                                          | 0.1                         | 0.2     | 0.7                          | 0.3     |
|                                                                     | (27.5)                      | (11.1)  | (80.2)                       | (57.4)  |
| <b>Increase (decrease) in cash and cash equivalents*</b>            | 0.9                         | 37.0    | (59.3)                       | 63.3    |
| Cash and cash equivalents at beginning of period*                   | 16.6                        | 39.8    | 76.8                         | 13.5    |
| <b>Cash and cash equivalents at end of period*</b>                  | \$ 17.5                     | \$ 76.8 | \$ 17.5                      | \$ 76.8 |

\* 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 months and years ended December 31, 2015 and 2014  
(unaudited, millions of Canadian dollars unless otherwise noted)

### 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, 2015, Canfor Corporation ("Canfor") held a 51.9% 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, 2015, available at [www.canforpulp.com](http://www.canforpulp.com) or [www.sedar.com](http://www.sedar.com).

These financial statements were authorized for issue by the Company's Board of Directors on February 17, 2016.

### Accounting Standards Issued and Not Applied

In May 2014, the International Accounting Standards Board ("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, 2018. The Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

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

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 and the Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

### 2. Income Taxes

| (millions of Canadian dollars, unaudited) | 3 months ended December 31, |           | 12 months ended December 31, |           |
|-------------------------------------------|-----------------------------|-----------|------------------------------|-----------|
|                                           | 2015                        | 2014      | 2015                         | 2014      |
| Current                                   | \$ (7.5)                    | \$ (10.0) | \$ (35.6)                    | \$ (31.0) |
| Deferred                                  | (2.5)                       | 3.1       | (0.7)                        | (0.5)     |
| Income tax expense                        | \$ (10.0)                   | \$ (6.9)  | \$ (36.3)                    | \$ (30.5) |

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 December 31, |          | 12 months ended December 31, |           |
|----------------------------------------------------------------------------|-----------------------------|----------|------------------------------|-----------|
|                                                                            | 2015                        | 2014     | 2015                         | 2014      |
| Income tax expense at statutory rate<br>2015 - 26.0% (2014 - 26.0%)        | \$ (10.4)                   | \$ (7.2) | \$ (37.2)                    | \$ (31.2) |
| Add (deduct):                                                              |                             |          |                              |           |
| Entities with different income tax rates and other tax<br>adjustments      | 0.5                         | 0.3      | 1.0                          | 0.8       |
| Permanent difference from capital gains and other non-<br>deductible items | (0.1)                       | -        | (0.1)                        | (0.1)     |
| Income tax expense                                                         | \$ (10.0)                   | \$ (6.9) | \$ (36.3)                    | \$ (30.5) |

In addition to the amounts recorded to net income, a tax expense of \$0.2 million was recorded in other comprehensive income for the three month period ended December 31, 2015 (three months ended December 31, 2014 - recovery of \$4.3 million) in relation to the actuarial gains/losses on defined benefit employee compensation plans. For the twelve months ended December 31, 2015, a tax expense of \$2.0 million was recorded to other comprehensive income (twelve months ended December 31, 2014 - recovery of \$6.7 million).

### 3. 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, |            |
|------------------------------------------|-----------------------------|------------|------------------------------|------------|
|                                          | <b>2015</b>                 | 2014       | <b>2015</b>                  | 2014       |
| Weighted average number of common shares | <b>69,428,956</b>           | 70,829,823 | <b>70,105,543</b>            | 70,949,525 |

On March 5, 2015, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 3,541,491 common shares or approximately 5% of its issued and outstanding common shares as of February 28, 2015. The renewed normal course issuer bid is set to expire on March 4, 2016. During the fourth quarter of 2015, CPPI purchased 692,985 common shares for \$9.7 million (an average of \$14.00 per common share), of which \$9.6 million was paid in the period, with the balance paid in early January. As a result of the share purchases during the quarter, Canfor's interest in CPPI increased to 51.9% by year end. As at December 31, 2015 and February 17, 2016, there were 68,951,872 common shares of the Company outstanding.

### 4. Net Change in Non-Cash Working Capital

| (millions of Canadian dollars, unaudited)           | 3 months ended December 31, |        | 12 months ended December 31, |           |
|-----------------------------------------------------|-----------------------------|--------|------------------------------|-----------|
|                                                     | <b>2015</b>                 | 2014   | <b>2015</b>                  | 2014      |
| Accounts receivable                                 | \$ <b>(40.2)</b>            | \$ 5.2 | \$ <b>(49.7)</b>             | \$ 11.5   |
| Inventories                                         | <b>14.0</b>                 | 5.7    | <b>(4.8)</b>                 | (15.6)    |
| Prepaid expenses and other assets                   | <b>3.5</b>                  | 0.3    | <b>4.4</b>                   | (5.6)     |
| Accounts payable and accrued liabilities            | <b>10.9</b>                 | (2.7)  | <b>17.2</b>                  | (4.2)     |
| Net decrease (increase) in non-cash working capital | \$ <b>(11.8)</b>            | \$ 8.5 | \$ <b>(32.9)</b>             | \$ (13.9) |



## 5. Segment Information

The Company has two reportable segments 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<br>Adjustment | Consolidated |
|-------------------------------------------|------------|-------|-------------|---------------------------|--------------|
| <b>3 months ended December 31, 2015</b>   |            |       |             |                           |              |
| <b>Sales to external customers</b>        | \$ 286.9   | 43.6  | 0.3         | -                         | \$ 330.8     |
| <b>Sales to other segments</b>            | \$ 23.6    | -     | -           | (23.6)                    | \$ -         |
| <b>Operating income (loss)</b>            | \$ 34.4    | 6.9   | (2.7)       | -                         | \$ 38.6      |
| <b>Amortization</b>                       | \$ 16.5    | 1.0   | 0.1         | -                         | \$ 17.6      |
| <b>Capital expenditures<sup>1</sup></b>   | \$ 27.2    | 0.4   | -           | -                         | \$ 27.6      |
| 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 <sup>1</sup>         | \$ 10.6    | 0.3   | 0.4         | -                         | \$ 11.3      |
| <b>12 months ended December 31, 2015</b>  |            |       |             |                           |              |
| <b>Sales to external customers</b>        | \$ 1,006.1 | 166.7 | 1.9         | -                         | \$ 1,174.7   |
| <b>Sales to other segments</b>            | \$ 93.4    | -     | -           | (93.4)                    | \$ -         |
| <b>Operating income (loss)</b>            | \$ 127.0   | 27.6  | (11.4)      | -                         | \$ 143.2     |
| <b>Amortization</b>                       | \$ 61.5    | 3.6   | 0.1         | -                         | \$ 65.2      |
| <b>Capital expenditures<sup>1</sup></b>   | \$ 62.5    | 5.8   | -           | -                         | \$ 68.3      |
| <b>Identifiable assets</b>                | \$ 746.4   | 64.0  | 30.9        | -                         | \$ 841.3     |
| 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 <sup>1</sup>         | \$ 56.2    | 1.1   | 0.4         | -                         | \$ 57.7      |
| Identifiable assets                       | \$ 677.9   | 57.6  | 91.9        | -                         | \$ 827.4     |

<sup>1</sup>Capital expenditures represent cash paid for capital assets during the periods and include capital expenditures that were partially financed by government grants. Capital expenditures for the year ended December 31, 2015 exclude the assets purchased as part of the acquisition of the Taylor pulp mill.

## 6. Subsequent Event

On February 17, 2016, the Board of Directors declared a quarterly dividend of \$0.0625 per share, payable on March 8, 2016, to shareholders of record on March 1, 2016.