

Canfor Corporation and Canfor Pulp Products Inc.  
Quarter 4, 2015  
Financial Performance Overview



Presented by:

Alan Nicholl - Senior Vice President, Finance & CFO

## Forward-Looking Statements



- The presentation and answers to questions today contain 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. 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, foreign exchange rates, interest rates, changes in law and public policy, the outcome of trade and labour disputes, and opportunities available to or pursued by the Company.
- For further details on these factors and our assumptions and applicable risks and uncertainties, please refer to Canfor Corporation's and Canfor Pulp Products Inc.'s Annual Reports for the year ended December 31, 2015 and Management's Discussion & Analysis for the year ended December 31, 2015.

Canfor Corporation  
Q4 2015 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q4 2015		Q3 2015	
	\$	\$/Share	\$	\$/Share
Shareholder net income (loss) , as reported	\$ 1.6	\$ 0.01	\$ (17.3)	\$ (0.13)
Non-operating / unusual items (after-tax, net of non-controlling interests)				
(Gain) loss on derivative financial instruments	\$ (1.2)	\$ (0.01)	\$ 9.3	\$ 0.07
Foreign exchange loss on long term debt	\$ 5.1	\$ 0.04	\$ -	\$ -
Mill closure provision	\$ -	\$ -	\$ 14.4	\$ 0.11
Pension plan amendment	\$ 2.4	\$ 0.02	\$ -	\$ -
Net impact of above items	\$ 6.3	\$ 0.05	\$ 23.7	\$ 0.18
Shareholder net income, as adjusted	\$ 7.9	\$ 0.06	\$ 6.4	\$ 0.05

## Canfor Corporation Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q4 2015	Q3 2015	Variance
Gross Sales	\$ 1,053.0	\$ 989.9	\$ 63.1
Operating income (loss) by segment:			
Lumber	\$ 3.7	\$ (26.9)	\$ 30.6
Pulp and Paper	\$ 38.6	\$ 42.3	\$ (3.7)
Unallocated and Other	\$ (10.5)	\$ (6.9)	\$ (3.6)
<b>Total operating income, as reported</b>	<b>\$ 31.8</b>	<b>\$ 8.5</b>	<b>\$ 23.3</b>
Included in above:			
Pension plan amendment	\$ 3.2	\$ -	\$ 3.2
Mill closure provision	\$ -	\$ 19.4	\$ (19.4)
<b>Operating income before one-time adjustments</b>	<b>\$ 35.0</b>	<b>\$ 27.9</b>	<b>\$ 7.1</b>
Average exchange rate (US\$ per C\$1.00)	\$ 0.749	\$ 0.764	\$ (0.015)

Operating income (loss) before amortization			
Lumber	\$ 44.8	\$ 8.4	\$ 36.4
Pulp and Paper	\$ 56.2	\$ 58.6	\$ (2.4)
Unallocated and Other	\$ (9.3)	\$ (5.9)	\$ (3.4)
<b>Total operating income before amortization</b>	<b>\$ 91.7</b>	<b>\$ 61.1</b>	<b>\$ 30.6</b>
Included in above:			
Pension plan amendment	\$ 3.2	\$ -	\$ 3.2
Mill closure provision	\$ -	\$ 19.4	\$ (19.4)
<b>Operating income before amortization and one-time adjustments</b>	<b>\$ 94.9</b>	<b>\$ 80.5</b>	<b>\$ 14.4</b>

Canfor Corporation  
Lumber: Q4 2015 vs. Q3 2015



(millions of dollars unless otherwise noted)	Q4 2015	Q3 2015	Variance
Sales	\$ 721.8	\$ 695.3	\$ 26.5
Operating income before amortization <sup>1</sup>	\$ 44.8	\$ 8.4	\$ 36.4
Operating income (loss)	\$ 3.7	\$ (26.9)	\$ 30.6
Included in above:			
Pension plan amendment	\$ 3.2	\$ -	\$ 3.2
Mill closure provision	\$ -	\$ 19.4	\$ (19.4)
Inventory valuation adjustments	\$ (6.2)	\$ 6.2	\$ (12.4)
Operating loss before one-time and inventory valuation adjustments	\$ 0.7	\$ (1.3)	\$ 2.0
Average SPF 2x4 #2&Btr lumber price in CDN\$	\$ 351	\$ 352	\$ (1)
Average SYP 2x4 #2 lumber price in US\$	\$ 400	\$ 331	\$ 69
Production - SPF lumber (MMfbm)	976	927	49
Production - SYP lumber (MMfbm)	321	302	19
Shipments - Canfor-produced SPF lumber (MMfbm)	1,025	1,014	11
Shipments - Canfor-produced SYP lumber (MMfbm)	322	323	(1)

**Adjusted operating earnings down \$2.0 million to \$0.7 million**

- **SYP sales realizations up slightly while WSPF sales realizations in line with Q3**
  - WSPF sales realizations – 2% weaker CDN\$, lower export tax, improvement in low grade prices offsetting declines in US-dollar WSPF 2x4 #2&Btr price
  - SYP realizations – Solid increase in SYP East 2x4 benchmark price, less pronounced increases in 2x6 and 2x8 and a modest decline in wider dimensions
- **Lumber production up 6% while shipments in line with Q3:** Productivity improvements at the Western Canadian operations, additional operating days, contribution from Anthony Forest Products offsetting impact of Canal Flats sawmill closure
- **Unit manufacturing costs flat:** Improved productivity offsetting seasonally higher energy costs

Canfor Pulp Products Inc.  
Q4 2015 Review: Items Impacting Earnings Comparability



(millions of dollars, except for per share amounts)	Q4 2015		Q3 2015	
	\$	\$/Share	\$	\$/Share
Net income, as reported	\$ 29.7	\$ 0.43	\$ 31.2	\$ 0.45
Non-operating / unusual items (after-tax)				
(Gain) loss on derivative financial instruments	\$ (0.7)	\$ (0.01)	\$ 3.6	\$ 0.05
Net impact of above items	\$ (0.7)	\$ (0.01)	\$ 3.6	\$ 0.05
Net income, as adjusted	\$ 29.0	\$ 0.42	\$ 34.8	\$ 0.50

## Canfor Pulp Products Inc. Sales and Operating Earnings Summary



(millions of dollars unless otherwise noted)	Q4 2015	Q3 2015	Variance
<b>Gross Sales</b>	\$ 330.8	\$ 294.1	\$ 36.7
Operating income (loss) by segment:			
Pulp	\$ 34.4	\$ 38.2	\$ (3.8)
Paper	\$ 6.9	\$ 7.1	\$ (0.2)
Unallocated	\$ (2.7)	\$ (3.0)	\$ 0.3
<b>Total operating income</b>	\$ 38.6	\$ 42.3	\$ (3.7)
<b>Net income, as reported</b>	\$ 29.7	\$ 31.2	\$ (1.5)
Operating income (loss) before amortization by segment:			
Pulp	\$ 50.9	\$ 53.7	\$ (2.8)
Paper	\$ 7.9	\$ 8.0	\$ (0.1)
Unallocated	\$ (2.6)	\$ (3.0)	\$ 0.4
<b>Total operating income before amortization</b>	\$ 56.2	\$ 58.7	\$ (2.5)
Average NBSK pulp list price delivered to U.S. - US\$	\$ 945	\$ 967	\$ (22)
Average NBSK pulp list price delivered to U.S. - CDN\$	\$ 1,262	\$ 1,266	\$ (4)
Production - Pulp (000 mt) <sup>1</sup>	323	311	12
Shipments - Pulp (000 mt) <sup>1</sup>	356	307	49

### Pulp operating income down \$3.8 million to \$34.4 million

- **Sales realizations slightly lower:** Lower NBSK pricing in all regions partly offset by 2% weaker Canadian dollar; BCTMP sales realizations impacted by challenging markets
- **Shipments and production up 16% and 5%, respectively:** Higher NBSK operating rates partly offset by Northwood scheduled outage in Q4 (20,000 tonnes), drawdown of finished inventories
- **Unit manufacturing costs up slightly:** Reflecting impact of scheduled maintenance outages and seasonally higher energy costs, partly offset by improved productivity
- **Energy revenues up:** Reflecting seasonally higher energy prices, increased power generation

### Paper operating income broadly in line with Q3

- Sales realizations down slightly from Q3 reflecting lower prices and proportionately lower volume to North America offset by 2% weaker CDN\$; unit manufacturing costs flat

**Note 1** - Pulp production and shipment volumes in 2015 include BCTMP volumes subsequent to CPPI's purchase of the Taylor BCTMP Mill on January 30, 2015.