



## Interfor Corporation

Vancouver, B.C.

April 28, 2016

### ***Interfor Reports Q1'16 Results Higher Commodity Lumber Prices and Volumes in Q1'16 vs. Q4'15***

**INTERFOR CORPORATION** ("Interfor" or the "Company") (TSX: IFP) recorded Adjusted EBITDA<sup>1</sup> of \$33.4 million on sales of \$433.9 million in Q1'16 versus Adjusted EBITDA<sup>1</sup> of \$35.8 million on sales of \$411.4 million in Q4'15.

Adjusted net earnings<sup>1</sup> in Q1'16 were \$2.6 million, or \$0.04 per share, compared to \$5.5 million, or \$0.08 per share, in Q4'15. Net earnings were \$0.8 million, or \$0.01 per share, compared with net losses of \$3.5 million, or \$0.05 per share, in Q4'15.

Highlights for the quarter include:

- Higher Lumber Prices
  - Product prices were higher in Q1'16 versus Q4'15, with the Western SPF Composite and the Southern Pine ("SP") Composite up over the prior quarter by US\$6 and US\$20 per mfbm, respectively.
- Weaker Canadian Dollar
  - The Canadian Dollar was weaker on average against the U.S. Dollar as compared to the prior quarter, averaging 1.3732 in Q1'16 versus 1.3354 in Q4'15. However, the Canadian Dollar strengthened significantly against the U.S. Dollar in the latter half of Q1'16 to close the period up 6.3% over the rate at December 31, 2015.
- Higher Lumber Production
  - The Company produced an additional 50 million board feet in Q1'16 versus Q4'15. The production increase is a result of: (i) the return to a normal operating schedule at the Castlegar mill in Q1'16 versus the mill restart during Q4'15; (ii) the improvement in weather conditions near the Georgetown mill that negatively impacted operations in Q4'15; and (iii) incremental operating days in Q1'16 versus the holiday-impacted schedule in Q4'15.
- Free Cash Flow Generation
  - Adjusted EBITDA was impacted by: (i) reduced profitability in the B.C. Coastal business due to seasonally lower log production, an increase in the percentage of helicopter logging, and lumber product mix changes; and (ii) variances in quarter end log and lumber inventory reserve adjustments.
  - Interfor generated \$31.0 million of cash from operations before working capital changes. In the quarter, working capital increased by \$11.0 million, primarily as a result of reductions in payables outstanding. Capital spending amounted to \$17.8 million during the quarter.
  - The Company's net debt decreased by \$24.2 million during the quarter to \$428.1 million, or 37.8% of invested capital, providing the Company with \$148.2 million of available liquidity as at March 31, 2016.

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<sup>1</sup> Refer to Non-GAAP Measures section

- Tacoma Sawmill Monetization
  - The monetization process for the Tacoma sawmill property is proceeding on track, with the sale expected to close in the second half of 2016.
- Business Optimization Initiative
  - Over the past several years, Interfor has completed a series of growth initiatives, including five acquisitions and two major capital projects.
  - The expanded platform has created a significant number of additional margin expansion opportunities.
  - The Company is focused on capturing these opportunities and has taken a number of steps to advance this initiative over the past several months.

## **Production**

Lumber production in Q1'16 was 618 million board feet versus 568 million board feet in Q4'15.

Production from the Company's nine U.S. South sawmills totaled 265 million board feet, up 22 million board feet compared to Q4'15. In addition to the increase in operating days in Q1'16, the production at the Georgetown sawmill increased by 9 million board feet following the impact of severe weather events in Q4'15.

Production from Canadian operations totaled 210 million board feet in Q1'16, up 24 million board feet compared to Q4'15. Production increased most significantly at Castlegar, which produced an additional 12 million board feet as the sawmill resumed more normal operations following the start-up curve in Q4'15. In Q1'16, Interfor shipped approximately 105 million board feet of lumber to U.S. markets from its B.C. sawmills, which represents approximately 17% of Interfor's total current quarterly production. The 12-month standstill period of the Softwood Lumber Agreement, which precludes trade action by the U.S., continues through October 11, 2016. Preliminary discussions on lumber trade between the Canadian and U.S. governments have been held, however uncertainty remains regarding resolution of the matter.

Production from Northwest operations totaled 143 million board feet in Q1'16, an increase of 4 million board feet over the preceding quarter driven by improved productivity at the Company's three stud mills in the region.

## **Lumber Markets and Pricing**

Beginning this quarter, Interfor changed its references to market benchmark prices for Western SPF and SYP from 2x4's to the respective Composites. The change is due to 2x4 references being for a specific product, whereas the Composites include a mix of dimensions and grades that better reflect our product mix, particularly for Southern Yellow Pine.

The Western SPF Composite improved over the course of the first quarter of 2016 as dealers expanded inventories for the spring building season following a mild winter. The Western SPF Composite benchmark took a step down to US\$251 per mfbm in January before rebounding to US\$281 per mfbm in March. The SP Composite also improved during Q1'16, increasing to US\$374 per mfbm in March compared to US\$353 per mfbm in December 2015.

Interfor expects demand for lumber to continue to grow over the mid-term as the U.S. housing market recovers and market promotion efforts in North America and offshore take full effect.

Interfor's strategy of maintaining a diversified portfolio of lumber operations allows the Company to both reduce risk and maximize returns on invested capital over the business cycle. Interfor will continue its disciplined approach to production, cost control, inventory management and capital spending. At the same time, Interfor will remain alert to growth opportunities to position the Company for long term success.

## Summary of Quarterly Results<sup>(1)</sup>

Unit	2016		2015			2014			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
<b>Financial Performance (Unaudited)</b>									
Total sales	\$MM	433.9	411.4	430.8	429.7	415.4	389.0	373.1	390.2
Lumber	\$MM	348.9	325.0	343.3	352.2	340.7	318.6	303.0	325.2
Logs, residual products and other	\$MM	85.0	86.4	87.5	77.5	74.7	70.4	70.1	65.0
Operating earnings (loss)	\$MM	3.5	(6.3)	(11.6)	(25.8)	7.8	(1.1)	20.1	3.8
Net earnings (loss)	\$MM	0.8	(3.5)	(6.1)	(20.6)	(0.2)	(5.2)	11.0	7.4
Net earnings (loss) per share, basic and diluted	\$/share	0.01	(0.05)	(0.09)	(0.29)	(0.00)	(0.08)	0.16	0.11
Adjusted net earnings (loss) <sup>(2)</sup>	\$MM	2.6	5.5	(15.4)	(14.7)	4.5	10.2	16.1	21.0
Adjusted net earnings (loss) per share, basic and diluted <sup>(2)</sup>	\$/share	0.04	0.08	(0.22)	(0.21)	0.07	0.15	0.24	0.31
Adjusted EBITDA <sup>(2)</sup>	\$MM	33.4	35.8	11.5	12.7	31.8	37.4	45.4	47.3
Shares outstanding - end of period	million	70.0	70.0	70.0	70.0	70.0	66.7	66.7	66.7
Shares outstanding - weighted average	million	70.0	70.0	70.0	70.0	67.8	66.7	66.7	66.7
<b>Operating Performance</b>									
Lumber production	million fbm	618	568	618	672	639	578	567	582
Total lumber sales	million fbm	637	615	686	719	632	620	595	628
Lumber sales - Interfor produced	million fbm	609	586	663	688	607	605	581	607
Lumber sales - wholesale and commission	million fbm	28	29	23	31	25	15	14	21
Lumber - average selling price <sup>(3)</sup>	\$/thousand fbm	548	529	500	490	539	514	509	518
Average USD/CAD exchange rate <sup>(4)</sup>	1 USD in CAD	1.3732	1.3354	1.3089	1.2297	1.2412	1.1350	1.0890	1.0905
Closing USD/CAD exchange rate <sup>(4)</sup>	1 USD in CAD	1.2971	1.3840	1.3394	1.2474	1.2683	1.1601	1.1208	1.0676

### Notes:

(1) Figures in this table may not equal or sum to figures presented elsewhere due to rounding.

(2) Refer to the Non-GAAP Measures section of this press release for definitions.

(3) Gross sales before export taxes.

(4) Based on Bank of Canada foreign exchange rates.

## Balance Sheet

Net debt at March 31, 2016 was \$428.1 million, or 37.8% of invested capital, representing an increase of \$58.4 million from March 31, 2015 and a decrease of \$24.2 million from December 31, 2015. A 6.3% strengthening of the Canadian Dollar against the U.S. Dollar contributed \$29.5 million to the net debt reduction in Q1'16 as the majority of debt is denominated in U.S. Dollars.

Thousands of dollars	For the 3 months ended	
	2016	March 31, 2015
<b>Net debt</b>		
Net debt, period opening, CAD	\$ 452,303	\$ 202,553
Net drawing on credit facilities, CAD	53	145,751
Impact on U.S. Dollar denominated debt from (strengthening) weakening CAD	(29,495)	23,617
Decrease (increase) in cash and equivalents, CAD	5,201	(2,238)
Net debt, period ending, CAD	\$ 428,062	\$ 369,683
<b>Net debt components by currency</b>		
U.S. Dollar debt, period opening, USD	\$ 338,699	\$ 190,000
Net drawing (repayment) on credit facilities, USD	(7)	115,099
U.S. Dollar debt, period ending, USD	338,692	305,099
Spot rate, period end	1.2971	1.2683
U.S. Dollar debt expressed in CAD	439,317	386,957
Canadian Dollar debt, CAD	-	2,830
Total debt, CAD	439,317	389,787
Cash and cash equivalents, CAD	(11,255)	(20,104)
Net debt, period ending, CAD	\$ 428,062	\$ 369,683

## **Capital Resources**

The following table summarizes Interfor's credit facilities and availability as of March 31, 2016:

Thousands of Canadian dollars	<b>Operating Line</b>	<b>Revolving Term Line</b>	<b>Senior Secured Notes</b>	<b>U.S. Operating Line</b>	<b>Total</b>
Available line of credit	\$ 65,000	\$ 200,000	\$ 259,420	\$ 64,855	\$ 589,275
Maximum borrowing available	\$ 65,000	\$ 200,000	\$ 259,420	\$ 64,855	\$ 589,275
Less:					
Drawings	12,971	149,167	259,420	17,759	439,317
Outstanding letters of credit included in line utilization	9,767	-	-	3,210	12,977
Unused portion of facility	\$ 42,262	\$ 50,833	\$ -	\$ 43,886	\$ 136,981
Add cash and cash equivalents					11,255
Available liquidity at March 31, 2016					\$ 148,236

As of March 31, 2016, the Company had commitments for capital expenditures totaling \$4.6 million, related to both maintenance and discretionary capital projects.

Interfor continues to maintain its disciplined focus on monitoring discretionary capital expenditures, optimizing inventory levels and matching production with offshore and domestic demand.

As at March 31, 2016, the Company had net working capital of \$170.2 million and available capacity on operating and term facilities of \$137.0 million. These resources, in addition to cash generated from operations, will be used to support working capital requirements, debt servicing commitments and capital expenditures. We believe that Interfor will have sufficient liquidity to fund operating and capital requirements for the foreseeable future.

## Non-GAAP Measures

This MD&A makes reference to the following non-GAAP measures: Adjusted net earnings (loss), Adjusted net earnings (loss) per share, EBITDA, Adjusted EBITDA, Pre-tax return on total assets and Net debt to invested capital, which are used by the Company and certain investors to evaluate operating performance and financial position. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. The following table provides a reconciliation of these non-GAAP measures to figures as reported in the Company's unaudited interim consolidated financial statements prepared in accordance with IFRS:

Thousands of Canadian dollars	For the 3 months ended	
	2016	March 31, 2015
<b>Adjusted Net Earnings</b>		
Net earnings (loss)	795	(163)
Add:		
Restructuring costs and capital asset write-downs	1,203	(122)
Other foreign exchange gain	899	5,413
Long term incentive compensation expense (recovery)	178	(1,709)
Other income	(93)	(133)
Beaver sawmill post-closure wind-down costs	8	341
Tacoma sawmill post-acquisition losses	372	1,008
Income tax effect of above adjustments	(754)	(142)
Recognition of previously unrecognized deferred tax assets	-	-
Adjusted net earnings <sup>(1)</sup>	2,608	4,493
Weighted average number of shares - basic and diluted ('000)	70,030	67,830
Adjusted net earnings per share <sup>(1)</sup>	0.04	0.07
<b>Adjusted EBITDA</b>		
Net earnings (loss)	795	(163)
Add:		
Depreciation of plant and equipment	20,169	16,515
Depletion and amortization of timber, roads and other	7,969	7,944
Restructuring costs and capital asset write-downs	1,203	(122)
Finance costs	5,184	3,074
Other foreign exchange loss	899	5,413
Income tax recovery	(3,326)	(383)
EBITDA	32,893	32,278
Add:		
Long term incentive compensation expense (recovery)	178	(1,709)
Other income	(93)	(133)
Beaver sawmill post-closure wind-down costs	8	340
Tacoma sawmill post-acquisition losses	372	981
Adjusted EBITDA <sup>(1)</sup>	33,358	31,757
<b>Pre-tax return on total assets</b>		
Operating earnings before restructuring costs	4,662	7,686
Total assets <sup>(2)</sup>	1,389,796	1,068,523
Pre-tax return on total assets <sup>(3)</sup>	1.3%	2.9%
<b>Net debt to invested capital</b>		
Net debt		
Total debt	439,317	389,787
Cash and cash equivalents	(11,255)	(20,104)
Current bank indebtedness	-	-
Total net debt	428,062	369,683
Invested capital		
Net debt	428,062	369,683
Shareholders' equity	705,214	729,839
Total invested capital	1,133,276	1,099,522
Net debt to invested capital <sup>(4)</sup>	37.8%	33.6%

### Notes:

- (1) Q1'15 adjusted net earnings, adjusted net earnings per share and adjusted EBITDA have been revised for inclusion of Tacoma sawmill post-acquisition losses arising during that period.
- (2) Total assets at period beginning.
- (3) Annualized rate.
- (4) Net debt to invested capital as of the period end.



**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)**  
**For the three months ended March 31, 2016 and 2015 (unaudited)**

(thousands of Canadian dollars except earnings per share)

	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
<b>Sales</b>	\$ 433,944	\$ 415,446
<b>Costs and expenses:</b>		
Production	390,136	373,096
Selling and administration	10,830	11,914
Long term incentive compensation expense (recovery)	178	(1,709)
Depreciation of plant and equipment	20,169	16,515
Depletion and amortization of timber, roads and other	7,969	7,944
	<b>429,282</b>	<b>407,760</b>
<b>Operating earnings before restructuring costs</b>	<b>4,662</b>	<b>7,686</b>
Restructuring costs (recovery)	1,203	(122)
<b>Operating earnings</b>	<b>3,459</b>	<b>7,808</b>
Finance costs	(5,184)	(3,074)
Other foreign exchange loss	(899)	(5,413)
Other income	93	133
	<b>(5,990)</b>	<b>(8,354)</b>
<b>Loss before income taxes</b>	<b>(2,531)</b>	<b>(546)</b>
Income tax expense (recovery)		
Current	131	164
Deferred	(3,457)	(547)
	<b>(3,326)</b>	<b>(383)</b>
<b>Net earnings (loss)</b>	<b>\$ 795</b>	<b>\$ (163)</b>
<b>Net earnings (loss) per share, basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ (0.00)</b>

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**For the three months ended March 31, 2016 and 2015 (unaudited)**

	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
<b>Net earnings (loss)</b>	<b>\$ 795</b>	<b>\$ (163)</b>
<b>Other comprehensive income:</b>		
<b>Items that will not be recycled to Net earnings (loss):</b>		
Defined benefit plan actuarial gain	634	282
<b>Items that are or may be recycled to Net earnings (loss):</b>		
Foreign currency translation differences for foreign operations, net of tax	(21,439)	30,322
Loss in fair value of interest rate swaps	(107)	(278)
<b>Total items that are or may be recycled to Net earnings (loss)</b>	<b>(21,546)</b>	<b>30,044</b>
<b>Total other comprehensive (loss) income, net of tax</b>	<b>(20,912)</b>	<b>30,326</b>
<b>Comprehensive (loss) income</b>	<b>\$ (20,117)</b>	<b>\$ 30,163</b>



**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the three months ended March 31, 2016 and 2015 (unaudited)**

(thousands of Canadian dollars)

	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
<b>Net earnings (loss)</b>	\$ 795	\$ (163)
<b>Items not involving cash:</b>		
Depreciation of plant and equipment	20,169	16,515
Depletion and amortization of timber, roads and other	7,969	7,944
Income tax recovery	(3,326)	(383)
Finance costs	5,184	3,074
Other assets	(201)	346
Reforestation liability	1,614	1,239
Other liabilities and provisions	(1,175)	(6,421)
Stock options	77	-
Reversal of write-down of plant and equipment	-	(1,195)
Unrealized foreign exchange loss	9	2,027
Other	(93)	(133)
	<b>31,022</b>	<b>22,850</b>
<b>Cash generated from (used in) operating working capital:</b>		
Trade accounts receivable and other	(919)	(15,591)
Inventories	2,744	(3,776)
Prepayments	(2,147)	(4,160)
Trade accounts payable and provisions	(10,399)	183
Income taxes paid	(258)	(136)
	<b>20,043</b>	<b>(630)</b>
<b>Investing activities:</b>		
Additions to property, plant and equipment	(12,551)	(21,575)
Additions to logging roads	(5,089)	(5,138)
Additions to timber and other intangible assets	(136)	(840)
Proceeds on disposal of property, plant and equipment	175	3,203
Acquisitions	-	(176,793)
Investments and other assets	(789)	106
	<b>(18,390)</b>	<b>(201,037)</b>
<b>Financing activities:</b>		
Issuance of share capital, net of share issue expenses	-	63,196
Interest payments	(6,811)	(2,951)
Debt refinancing costs	(732)	(159)
Change in operating line components of long term debt	6,734	15,227
Additions to long term debt	-	320,215
Repayments of long term debt	(6,680)	(189,691)
	<b>(7,489)</b>	<b>205,837</b>
<b>Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency</b>	<b>635</b>	<b>(1,932)</b>
<b>Increase (decrease) in cash</b>	<b>(5,201)</b>	<b>2,238</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>16,456</b>	<b>17,866</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 11,255</b>	<b>\$ 20,104</b>

See accompanying notes to consolidated financial statements



**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**March 31, 2016 and December 31, 2015 (unaudited)**

(thousands of Canadian dollars)

	Mar. 31, 2016	Dec. 31, 2015
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 11,255	\$ 16,456
Trade accounts receivable and other	92,817	95,218
Income tax receivable	394	459
Inventories	148,806	155,740
Prepayments and other	16,785	15,512
Assets held for sale	26,087	27,836
	<b>296,144</b>	<b>311,221</b>
<b>Employee future benefits</b>	<b>884</b>	<b>1,570</b>
<b>Investments and other assets</b>	<b>4,781</b>	<b>3,191</b>
<b>Property, plant and equipment</b>	<b>736,780</b>	<b>777,590</b>
<b>Logging roads and bridges</b>	<b>20,350</b>	<b>20,611</b>
<b>Timber licences</b>	<b>71,566</b>	<b>72,429</b>
<b>Other intangible assets</b>	<b>20,875</b>	<b>23,601</b>
<b>Goodwill</b>	<b>151,631</b>	<b>160,914</b>
<b>Deferred income taxes</b>	<b>20,777</b>	<b>18,669</b>
	<b>\$ 1,323,788</b>	<b>\$ 1,389,796</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Trade accounts payable and provisions	\$ 113,637	\$ 130,840
Reforestation liability	12,059	11,052
Income taxes payable	243	398
	<b>125,939</b>	<b>142,290</b>
<b>Reforestation liability</b>	<b>26,775</b>	<b>25,074</b>
<b>Long term debt</b>	<b>439,317</b>	<b>468,759</b>
<b>Employee future benefits</b>	<b>8,432</b>	<b>8,391</b>
<b>Provisions and other liabilities</b>	<b>18,111</b>	<b>20,028</b>
<b>Equity:</b>		
Share capital	553,559	553,559
Contributed surplus	7,742	7,665
Translation reserve	55,986	77,425
Hedge reserve	(45)	62
Retained earnings	87,972	86,543
	<b>705,214</b>	<b>725,254</b>
	<b>\$ 1,323,788</b>	<b>\$ 1,389,796</b>

Approved on behalf of the Board:

"L. Sauder"  
Director

"D.W.G. Whitehead"  
Director



## **FORWARD-LOOKING STATEMENTS**

This release contains information and statements that are forward-looking in nature, including, but not limited to, statements containing the words "will", "should", "expects", "annualized" and similar expressions. Such statements involve known and unknown risks and uncertainties that may cause Interfor's actual results to be materially different from those expressed or implied by those forward-looking statements. Such risks and uncertainties include, among other things: price volatility, competition, availability and cost of log supply, natural or man-made disasters, currency exchange sensitivity, regulatory changes, allowable annual cut reductions, Aboriginal title and rights claims, potential countervailing and anti-dumping duties, stumpage fee variables and changes, environmental impact and performance, labour disruptions, and other factors referenced herein and in Interfor's Annual Report available on [www.sedar.com](http://www.sedar.com) and [www.interfor.com](http://www.interfor.com). The forward-looking information and statements contained in this release are based on Interfor's current expectations and beliefs. Readers are cautioned not to place undue reliance on forward-looking information or statements. Interfor undertakes no obligation to update such forward-looking information or statements, except where required by law.

## **ABOUT INTERFOR**

Interfor is a growth-oriented lumber company with operations in Canada and the United States. The Company has annual production capacity of approximately 3 billion board feet and offers one of the most diverse lines of lumber products to customers around the world. For more information about Interfor, visit our website at [www.interfor.com](http://www.interfor.com).

The Company's unaudited interim condensed consolidated financial statements and Management's Discussion and Analysis for the three months ended March 31, 2016 are available at [www.sedar.com](http://www.sedar.com) and [www.interfor.com](http://www.interfor.com).

There will be a conference call on Friday, April 29, 2016 at 8:00 a.m. (Pacific Time) hosted by **INTERFOR CORPORATION** for the purpose of reviewing the Company's release of its first quarter 2016 financial results.

The dial-in number is **1-866-233-4795**. The conference call will also be recorded for those unable to join in for the live discussion, and will be available until May 13, 2016. The number to call is **1-888-203-1112, Passcode 2393403**.

For further information:

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