



## Interfor Corporation

Vancouver, B.C.

November 3, 2016

### ***Interfor Reports Q3'16 Results Optimization Initiative Contributes to Record EBITDA<sup>1</sup> of \$58.1 million; Net Debt Reduced by \$49.0 million***

**INTERFOR CORPORATION** ("Interfor" or the "Company") (TSX: IFP) recorded net earnings in Q3'16 of \$15.1 million, or \$0.22 per share, compared to \$23.2 million, or \$0.33 per share in Q2'16. Adjusted net earnings<sup>1</sup> in Q3'16 were \$22.8 million, or \$0.33 per share, compared to \$20.9 million, or \$0.30 per share, in Q2'16.

Adjusted EBITDA<sup>1</sup> was \$58.1 million on sales of \$457.6 million in Q3'16, versus Adjusted EBITDA of \$56.9 million on sales of \$458.8 million in Q2'16.

Highlights for the quarter include:

- Strong Free Cash Flow
  - Interfor generated \$67.7 million of cash from operations, including \$12.8 million from working capital.
  - The resulting free cash flow enabled Interfor to reduce net debt by \$49.0 million during the quarter to \$346.9 million, or 31.8% of invested capital.
- Mixed Lumber Prices/Higher Sales Realizations
  - Key benchmark lumber prices were mixed in Q3'16 compared to the preceding quarter. The Western SPF Composite was up US\$11 to US\$311 per mfbm. However, the Southern Pine Composite and KD HF Stud 2x4 9' benchmark, which represent the largest share of Interfor's production, declined US\$8 to US\$382 per mfbm and US\$19 to US\$336 per mfbm, respectively.
  - In spite of the drop in benchmark prices, Interfor's average realization increased \$16 to \$580 per mfbm in Q3'16, reflecting a positive shift in product mix and the benefits of a lower Canadian dollar.
- Business Optimization Initiative
  - The B.C. Interior and U.S. Northwest regions generated strong operating and financial results reflecting the benefits from the Company's multi-year capital investment programs. Focus continues on optimizing log supply, productivity and product mix to drive further margin improvements.
  - The U.S. South region continued to implement a series of capital and optimization initiatives focused on mill reliability, debottlenecking and product mix. A number of small capital projects were completed in the quarter, with more underway or in the planning stage. Benefits related to product mix, lumber recovery and productivity improvements were realized at a number of mills in the quarter. However, there was a short term negative impact on production volume and conversion costs in Q3'16, as a result of the projects' impact on operating hours. The initiative remains on track to meet or exceed the targeted \$35 million in annualized EBITDA gains by the end of 2017.

<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 Q4'16.

## Production

Lumber production in Q3'16 was 628 million board feet versus 637 million board feet in Q2'16.

Production from Canadian operations totaled 239 million board feet in Q3'16, up 21 million board feet compared to Q2'16.

Production from the Company's nine U.S. South sawmills totaled 248 million board feet, down 22 million board feet compared to Q2'16.

Production from U.S. Northwest operations totaled 141 million board feet in Q3'16, a decrease of 8 million board feet over the preceding quarter.

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

|  | Unit            | 2016   |        |        | 2015   |        |        | 2014   |        |
|--|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|
|  |                 | Q3     | Q2     | Q1     | Q4     | Q3     | Q2     | Q1     | Q4     |
| <b>Financial Performance (Unaudited)</b>                                 |                 |        |        |        |        |        |        |        |        |
| Total sales  | \$MM            | 457.6  | 458.8  | 433.9  | 411.4  | 430.8  | 429.7  | 415.4  | 389.0  |
| Lumber   | \$MM            | 374.8  | 371.1  | 348.9  | 325.0  | 343.3  | 352.2  | 340.7  | 318.6  |
| Logs, residual products and other  | \$MM            | 82.8   | 87.7   | 85.0   | 86.4   | 87.5   | 77.5   | 74.7   | 70.4   |
| Operating earnings (loss)  | \$MM            | 20.1   | 30.0   | 3.5    | (6.3)  | (11.6) | (25.8) | 7.8    | (1.1)  |
| Net earnings (loss)  | \$MM            | 15.1   | 23.2   | 0.8    | (3.5)  | (6.1)  | (20.6) | (0.2)  | (5.2)  |
| Net earnings (loss) per share, basic and diluted                         | \$/share        | 0.22   | 0.33   | 0.01   | (0.05) | (0.09) | (0.29) | (0.00) | (0.08) |
| Adjusted net earnings (loss) <sup>(2)</sup>                              | \$MM            | 22.8   | 20.9   | 2.6    | 5.5    | (15.4) | (14.7) | 4.5    | 10.2   |
| Adjusted net earnings (loss) per share, basic and diluted <sup>(2)</sup> | \$/share        | 0.33   | 0.30   | 0.04   | 0.08   | (0.22) | (0.21) | 0.07   | 0.15   |
| Adjusted EBITDA <sup>(2)</sup>   | \$MM            | 58.1   | 56.9   | 33.4   | 35.8   | 11.5   | 12.7   | 31.8   | 37.4   |
| Shares outstanding - end of period                                       | million         | 70.0   | 70.0   | 70.0   | 70.0   | 70.0   | 70.0   | 70.0   | 66.7   |
| Shares outstanding - weighted average                                    | million         | 70.0   | 70.0   | 70.0   | 70.0   | 70.0   | 70.0   | 67.8   | 66.7   |
| <b>Operating Performance</b>   |                 |        |        |        |        |        |        |        |        |
| Lumber production  | million fbm     | 628    | 637    | 618    | 568    | 618    | 672    | 639    | 578    |
| Total lumber sales   | million fbm     | 647    | 658    | 637    | 615    | 686    | 719    | 632    | 620    |
| Lumber sales - Interfor produced   | million fbm     | 627    | 634    | 609    | 586    | 663    | 688    | 607    | 605    |
| Lumber sales - wholesale and commission                                  | million fbm     | 20     | 24     | 28     | 29     | 23     | 31     | 25     | 15     |
| Lumber - average selling price <sup>(3)</sup>                            | \$/thousand fbm | 580    | 564    | 548    | 529    | 500    | 490    | 539    | 514    |
| Average USD/CAD exchange rate <sup>(4)</sup>                             | 1 USD in CAD    | 1.3050 | 1.2886 | 1.3732 | 1.3354 | 1.3089 | 1.2297 | 1.2412 | 1.1350 |
| Closing USD/CAD exchange rate <sup>(4)</sup>                             | 1 USD in CAD    | 1.3117 | 1.3009 | 1.2971 | 1.3840 | 1.3394 | 1.2474 | 1.2683 | 1.1601 |

### 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.

## Liquidity

### Balance Sheet

Net debt at September 30, 2016 was \$346.9 million, or 31.8% of invested capital, representing a decrease of \$114.5 million from September 30, 2015 and a decrease of \$105.4 million from December 31, 2015. A 5.2% strengthening of the Canadian Dollar against the U.S. Dollar contributed \$25.7 million to the net debt reduction in YTD'16 as the majority of debt is denominated in U.S. Dollars.

| Thousands of dollars  | For the 3 months ended |                    |               | For the 9 months ended |                    |
|---|------------------------|--------------------|---------------|------------------------|--------------------|
|   | September 30, 2016     | September 30, 2015 | June 30, 2016 | September 30, 2016     | September 30, 2015 |
| <b>Net debt</b>   |                        |                    |               |                        |                    |
| Net debt, period opening, CAD   | \$ 395,959             | \$ 430,870         | \$ 428,062    | \$ 452,303             | \$ 202,553         |
| Net drawing (repayment) on credit facilities, CAD                         | (44,138)               | (3,656)            | (33,619)      | (77,704)               | 202,156            |
| Impact on U.S. Dollar denominated debt from (strengthening) weakening CAD | 2,441                  | 32,079             | 1,320         | (25,734)               | 50,799             |
| Decrease (increase) in cash and equivalents, CAD                          | (7,333)                | 2,181              | 196           | (1,936)                | 5,966              |
| Net debt, period ending, CAD  | \$ 346,929             | \$ 461,474         | \$ 395,959    | \$ 346,929             | \$ 461,474         |
| <b>Net debt components by currency</b>                                    |                        |                    |               |                        |                    |
| U.S. Dollar debt, period opening, USD                                     | \$ 297,500             | \$ 355,123         | \$ 338,692    | \$ 338,699             | \$ 190,000         |
| Net drawing (repayment) on credit facilities, USD                         | (22,791)               | (9,166)            | (41,192)      | (63,990)               | 155,957            |
| U.S. Dollar debt, period ending, USD                                      | 274,709                | 345,957            | 297,500       | 274,709                | 345,957            |
| Spot rate, period end   |                        |                    |               | 1.3117                 | 1.3394             |
| U.S. Dollar debt expressed in CAD   |                        |                    |               | 360,336                | 463,374            |
| Canadian Dollar debt, including bank indebtedness, CAD                    |                        |                    |               | 4,985                  | 10,000             |
| Total debt, CAD   |                        |                    |               | 365,321                | 473,374            |
| Cash and cash equivalents, CAD  |                        |                    |               | (18,392)               | (11,900)           |
| Net debt, period ending, CAD  |                        |                    |               | \$ 346,929             | \$ 461,474         |

## Capital Resources

The following table summarizes Interfor's credit facilities and availability as of September 30, 2016:

| Thousands of Canadian dollars                              | Operating Line | Revolving Term Line | Senior Secured Notes | U.S. Operating Line | Total      |
|--|----------------|---------------------|----------------------|---------------------|------------|
| Available line of credit                                   | \$ 65,000      | \$ 200,000          | \$ 262,340           | \$ 65,585           | \$ 592,925 |
| Maximum borrowing available                                | \$ 65,000      | \$ 200,000          | \$ 262,340           | \$ 65,585           | \$ 592,925 |
| Less:  |                |                     |                      |                     |            |
| Drawings   | 10,493         | 90,246              | 262,340              | 2,242               | 365,321    |
| Outstanding letters of credit included in line utilization | 9,826          | -                   | -                    | 3,220               | 13,046     |
| Unused portion of facility                                 | \$ 44,681      | \$ 109,754          | \$ -                 | \$ 60,123           | \$ 214,558 |
| Add cash and cash equivalents                              |                |                     |                      |                     | 18,392     |
| Available liquidity at September 30, 2016                  |                |                     |                      |                     | \$ 232,950 |

As of September 30, 2016, the Company had commitments for capital expenditures totaling \$10.5 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 September 30, 2016, the Company had net working capital of \$154.6 million and available capacity on operating and term facilities of \$214.6 million. These resources, in addition to cash generated from operations, will be used to support ongoing 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 release 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 |           | For the 9 months ended |           |           |
|--|------------------------|-----------|------------------------|-----------|-----------|
|  | September 30,          | June 30,  | September 30,          |           |           |
|  | 2016                   | 2015      | 2016                   | 2016      | 2015      |
| <b>Adjusted Net Earnings (Loss)</b>                          |                        |           |                        |           |           |
| Net earnings (loss)  | 15,093                 | (6,133)   | 23,205                 | 39,093    | (26,879)  |
| Add:   |                        |           |                        |           |           |
| Restructuring costs and capital asset write-downs            | 1,492                  | 10,097    | 2,304                  | 4,999     | 9,963     |
| Other foreign exchange loss (gain)                           | (792)                  | (986)     | (503)                  | (396)     | 2,124     |
| Long term incentive compensation expense (recovery)          | 8,321                  | (16,965)  | (4,147)                | 4,352     | (14,766)  |
| Other (income) expense                                       | (7)                    | 77        | 458                    | 358       | 106       |
| Beaver sawmill post-closure wind-down costs                  | 6                      | 7         | 3                      | 17        | 359       |
| Tacoma sawmill post-acquisition losses and closure costs     | 94                     | 1,652     | 311                    | 777       | 10,311    |
| Income tax effect of above adjustments                       | (1,408)                | (3,100)   | (725)                  | (2,887)   | (6,747)   |
| Adjusted net earnings (loss)                                 | 22,799                 | (15,351)  | 20,906                 | 46,313    | (25,529)  |
| Weighted average number of shares - basic and diluted ('000) | 70,030                 | 70,030    | 70,030                 | 70,030    | 69,305    |
| Adjusted net earnings (loss) per share <sup>(1)</sup>        | 0.33                   | (0.22)    | 0.30                   | 0.66      | (0.37)    |
| <b>Adjusted EBITDA</b>                                       |                        |           |                        |           |           |
| Net earnings (loss)  | 15,093                 | (6,133)   | 23,205                 | 39,093    | (26,879)  |
| Add:   |                        |           |                        |           |           |
| Depreciation of plant and equipment                          | 18,624                 | 18,365    | 18,765                 | 57,558    | 53,010    |
| Depletion and amortization of timber, roads and other        | 9,441                  | 9,891     | 9,652                  | 27,062    | 26,744    |
| Restructuring costs and capital asset write-downs            | 1,492                  | 10,097    | 2,304                  | 4,999     | 9,963     |
| Finance costs  | 4,379                  | 4,948     | 4,965                  | 14,528    | 12,110    |
| Other foreign exchange loss (gain)                           | (792)                  | (986)     | (503)                  | (396)     | 2,124     |
| Income tax expense (recovery)                                | 1,445                  | (9,492)   | 1,852                  | (29)      | (17,074)  |
| EBITDA   | 49,682                 | 26,690    | 60,240                 | 142,815   | 59,998    |
| Add:   |                        |           |                        |           |           |
| Long term incentive compensation expense (recovery)          | 8,321                  | (16,965)  | (4,147)                | 4,352     | (14,766)  |
| Other (income) expense                                       | (7)                    | 77        | 458                    | 358       | 106       |
| Beaver sawmill post-closure wind-down costs                  | 6                      | 7         | 3                      | 17        | 357       |
| Tacoma sawmill post-acquisition losses and closure costs     | 94                     | 1,645     | 311                    | 777       | 10,230    |
| Adjusted EBITDA  | 58,096                 | 11,454    | 56,865                 | 148,319   | 55,925    |
| <b>Pre-tax return on total assets</b>                        |                        |           |                        |           |           |
| Operating earnings (loss) before restructuring costs         | 21,610                 | (1,489)   | 32,281                 | 58,553    | (19,650)  |
| Total assets <sup>(1)</sup>                                  | 1,337,569              | 1,364,560 | 1,323,788              | 1,358,294 | 1,226,137 |
| Pre-tax return on total assets <sup>(2)</sup>                | 6.5%                   | (0.4%)    | 9.8%                   | 5.7%      | (2.1%)    |
| <b>Net debt to invested capital</b>                          |                        |           |                        |           |           |
| Net debt   |                        |           |                        |           |           |
| Total debt   | 365,321                | 473,374   | 407,018                | 365,321   | 473,374   |
| Cash and cash equivalents                                    | (18,392)               | (11,900)  | (11,059)               | (18,392)  | (11,900)  |
| Total net debt   | 346,929                | 461,474   | 395,959                | 346,929   | 461,474   |
| Invested capital   |                        |           |                        |           |           |
| Net debt   | 346,929                | 461,474   | 395,959                | 346,929   | 461,474   |
| Shareholders' equity   | 745,333                | 718,540   | 727,470                | 745,333   | 718,540   |
| Total invested capital                                       | 1,092,262              | 1,180,014 | 1,123,429              | 1,092,262 | 1,180,014 |
| Net debt to invested capital <sup>(3)</sup>                  | 31.8%                  | 39.1%     | 35.2%                  | 31.8%     | 39.1%     |

Notes:

(1) Total assets at period beginning for three month periods; average of opening and closing total assets for nine month periods.

(2) Annualized rate.

(3) Net debt to invested capital as of the period end.



**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)**  
**For the three and nine months ended September 30, 2016 and 2015 (unaudited)**

(thousands of Canadian dollars except earnings per share)

|   | 3 Months<br>Sept. 30, 2016 | 3 Months<br>Sept. 30, 2015 | 9 Months<br>Sept. 30, 2016 | 9 Months<br>Sept. 30, 2015 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Sales</b>  | \$ 457,647                 | \$ 430,835                 | \$ 1,350,404               | \$ 1,275,964               |
| <b>Costs and expenses:</b>                                  |                            |                            |                            |                            |
| Production  | 388,733                    | 405,847                    | 1,169,356                  | 1,188,892                  |
| Selling and administration                                  | 10,918                     | 12,451                     | 33,523                     | 36,520                     |
| Long term incentive compensation expense (recovery)         | 8,321                      | (16,965)                   | 4,352                      | (14,766)                   |
| Export taxes  | -                          | 2,735                      | -                          | 5,214                      |
| Depreciation of plant and equipment                         | 18,624                     | 18,365                     | 57,558                     | 53,010                     |
| Depletion and amortization of timber, roads and other       | 9,441                      | 9,891                      | 27,062                     | 26,744                     |
|   | 436,037                    | 432,324                    | 1,291,851                  | 1,295,614                  |
| <b>Operating earnings (loss) before restructuring costs</b> | 21,610                     | (1,489)                    | 58,553                     | (19,650)                   |
| Restructuring costs   | 1,492                      | 10,097                     | 4,999                      | 9,963                      |
| <b>Operating earnings (loss)</b>                            | 20,118                     | (11,586)                   | 53,554                     | (29,613)                   |
| Finance costs   | (4,379)                    | (4,948)                    | (14,528)                   | (12,110)                   |
| Other foreign exchange gain (loss)                          | 792                        | 986                        | 396                        | (2,124)                    |
| Other income (expense)                                      | 7                          | (77)                       | (358)                      | (106)                      |
|   | (3,580)                    | (4,039)                    | (14,490)                   | (14,340)                   |
| <b>Earnings (loss) before income taxes</b>                  | 16,538                     | (15,625)                   | 39,064                     | (43,953)                   |
| Income tax expense (recovery)                               |                            |                            |                            |                            |
| Current   | 288                        | (162)                      | 749                        | 310                        |
| Deferred  | 1,157                      | (9,330)                    | (778)                      | (17,384)                   |
|   | 1,445                      | (9,492)                    | (29)                       | (17,074)                   |
| <b>Net earnings (loss)</b>                                  | \$ 15,093                  | \$ (6,133)                 | \$ 39,093                  | \$ (26,879)                |
| <b>Net earnings (loss) per share, basic and diluted</b>     | \$ 0.22                    | \$ (0.09)                  | \$ 0.56                    | \$ (0.39)                  |

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the three and nine months ended September 30, 2016 and 2015 (unaudited)**

|   | 3 Months<br>Sept. 30, 2016 | 3 Months<br>Sept. 30, 2015 | 9 Months<br>Sept. 30, 2016 | 9 Months<br>Sept. 30, 2015 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Net earnings (loss)</b>  | \$ 15,093                  | \$ (6,133)                 | \$ 39,093                  | \$ (26,879)                |
| <b>Other comprehensive income (loss):</b>                                   |                            |                            |                            |                            |
| <b>Items that will not be recycled to Net earnings (loss):</b>              |                            |                            |                            |                            |
| Defined benefit plan actuarial loss   | (42)                       | (1,834)                    | (2,988)                    | (394)                      |
| Income tax recovery   | -                          | -                          | -                          | 376                        |
| <b>Total items that will not be recycled to Net earnings (loss)</b>         | (42)                       | (1,834)                    | (2,988)                    | (18)                       |
| <b>Items that are or may be recycled to Net earnings (loss):</b>            |                            |                            |                            |                            |
| Foreign currency translation differences for foreign operations, net of tax | 2,622                      | 22,886                     | (16,210)                   | 46,024                     |
| Gain (loss) in fair value of interest rate swaps                            | 93                         | (130)                      | (46)                       | (418)                      |
| <b>Total items that are or may be recycled to Net earnings (loss)</b>       | 2,715                      | 22,756                     | (16,256)                   | 45,606                     |
| <b>Total other comprehensive income (loss), net of tax</b>                  | 2,673                      | 20,922                     | (19,244)                   | 45,588                     |
| <b>Comprehensive income</b>   | \$ 17,766                  | \$ 14,789                  | \$ 19,849                  | \$ 18,709                  |



**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the three and nine months ended September 30, 2016 and 2015 (unaudited)**

(thousands of Canadian dollars)

|   | 3 Months<br>Sept. 30, 2016 | 3 Months<br>Sept. 30, 2015 | 9 Months<br>Sept. 30, 2016 | 9 Months<br>Sept. 30, 2015 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Cash provided by (used in):</b>  |                            |                            |                            |                            |
| <b>Operating activities:</b>  |                            |                            |                            |                            |
| Net earnings (loss)   | \$ 15,093                  | \$ (6,133)                 | \$ 39,093                  | \$ (26,879)                |
| <b>Items not involving cash:</b>  |                            |                            |                            |                            |
| Depreciation of plant and equipment   | 18,624                     | 18,365                     | 57,558                     | 53,010                     |
| Depletion and amortization of timber, roads and other                                       | 9,441                      | 9,891                      | 27,062                     | 26,744                     |
| Income tax expense (recovery)   | 1,445                      | (9,492)                    | (29)                       | (17,074)                   |
| Finance costs   | 4,379                      | 4,948                      | 14,528                     | 12,110                     |
| Other assets  | (22)                       | 155                        | (306)                      | 527                        |
| Reforestation liability   | 2,235                      | 832                        | 1,692                      | 140                        |
| Other liabilities and provisions  | 4,288                      | (9,170)                    | 993                        | (12,640)                   |
| Stock options   | 97                         | 56                         | 230                        | 155                        |
| Reversal of write-down of plant and equipment   | -                          | -                          | -                          | (1,195)                    |
| Write-down of plant and equipment   | -                          | 140                        | 1,018                      | 140                        |
| Unrealized foreign exchange gain  | (698)                      | (13)                       | -                          | (341)                      |
| Other   | (7)                        | 76                         | 358                        | 105                        |
|   | 54,875                     | 9,655                      | 142,197                    | 34,802                     |
| <b>Cash generated from (used in) operating working capital:</b>                             |                            |                            |                            |                            |
| Trade accounts receivable and other   | 2,195                      | 14,595                     | (9,858)                    | 5,174                      |
| Inventories   | 5,507                      | 35,176                     | (261)                      | 44,748                     |
| Prepayments   | 254                        | 4,838                      | 517                        | 1,990                      |
| Trade accounts payable and provisions   | 5,123                      | (28,368)                   | 18,427                     | (30,851)                   |
| Income taxes paid   | (265)                      | (180)                      | (731)                      | (635)                      |
|   | 67,689                     | 35,716                     | 150,291                    | 55,228                     |
| <b>Investing activities:</b>  |                            |                            |                            |                            |
| Additions to property, plant and equipment  | (15,223)                   | (21,600)                   | (37,220)                   | (73,718)                   |
| Additions to logging roads  | (7,484)                    | (8,015)                    | (18,721)                   | (20,918)                   |
| Additions to timber and other intangible assets   | (633)                      | (240)                      | (988)                      | (1,377)                    |
| Proceeds on disposal of property, plant and equipment                                       | 2                          | 852                        | 316                        | 4,642                      |
| Proceeds on disposal of investments   | 10,342                     | -                          | 10,342                     | -                          |
| Acquisitions  | -                          | 98                         | -                          | (223,263)                  |
| Investments and other assets  | (1,347)                    | 132                        | (10,900)                   | 312                        |
|   | (14,343)                   | (28,773)                   | (57,171)                   | (314,322)                  |
| <b>Financing activities:</b>  |                            |                            |                            |                            |
| Issuance of capital stock, net of share issue expenses                                      | -                          | -                          | -                          | 63,196                     |
| Interest payments   | (2,268)                    | (4,685)                    | (13,433)                   | (11,315)                   |
| Debt refinancing costs  | (167)                      | (24)                       | (1,009)                    | (278)                      |
| Change in operating line components of long-term debt                                       | 2,937                      | (3,656)                    | (8,796)                    | 29,265                     |
| Additions to long term debt   | -                          | -                          | 28,000                     | 362,582                    |
| Repayments of long term debt  | (47,074)                   | -                          | (96,908)                   | (189,691)                  |
|   | (46,572)                   | (8,365)                    | (92,146)                   | 253,759                    |
| <b>Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency</b> | 559                        | (759)                      | 962                        | (631)                      |
| <b>Increase (decrease) in cash</b>  | 7,333                      | (2,181)                    | 1,936                      | (5,966)                    |
| <b>Cash and cash equivalents, beginning of period</b>                                       | 11,059                     | 14,081                     | 16,456                     | 17,866                     |
| <b>Cash and cash equivalents, end of period</b>   | \$ 18,392                  | \$ 11,900                  | \$ 18,392                  | \$ 11,900                  |



**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2016 and December 31, 2015 (unaudited)**

(thousands of Canadian dollars)

|   | Sept. 30,<br>2016   | Dec. 31,<br>2015    |
|---|---------------------|---------------------|
| <b>Assets</b>                               |                     |                     |
| <b>Current assets:</b>                      |                     |                     |
| Cash and cash equivalents                   | \$ 18,392           | \$ 16,456           |
| Trade accounts receivable and other         | 101,975             | 95,218              |
| Income taxes receivable                     | 387                 | 459                 |
| Inventories                                 | 151,951             | 155,740             |
| Prepayments and other                       | 14,168              | 15,512              |
| Assets held for sale                        | 25,224              | 27,836              |
|   | <b>312,097</b>      | <b>311,221</b>      |
| <b>Employee future benefits</b>             | <b>257</b>          | <b>1,570</b>        |
| <b>Other investments and assets</b>         | <b>5,203</b>        | <b>3,191</b>        |
| <b>Property, plant and equipment</b>        | <b>729,041</b>      | <b>777,590</b>      |
| <b>Logging roads and bridges</b>            | <b>20,009</b>       | <b>20,611</b>       |
| <b>Timber licences</b>                      | <b>70,040</b>       | <b>72,429</b>       |
| <b>Other intangible assets</b>              | <b>18,592</b>       | <b>23,601</b>       |
| <b>Goodwill</b>                             | <b>153,191</b>      | <b>160,914</b>      |
| <b>Deferred income taxes</b>                | <b>18,362</b>       | <b>18,669</b>       |
|   | <b>\$ 1,326,792</b> | <b>\$ 1,389,796</b> |
| <b>Liabilities and Shareholders' Equity</b> |                     |                     |
| <b>Current liabilities:</b>                 |                     |                     |
| Trade accounts payable and provisions       | \$ 145,073          | \$ 130,840          |
| Reforestation liability                     | 12,064              | 11,052              |
| Income taxes payable                        | 392                 | 398                 |
|   | <b>157,529</b>      | <b>142,290</b>      |
| <b>Reforestation liability</b>              | <b>26,999</b>       | <b>25,074</b>       |
| <b>Long term debt</b>                       | <b>365,321</b>      | <b>468,759</b>      |
| <b>Employee future benefits</b>             | <b>10,587</b>       | <b>8,391</b>        |
| <b>Provisions and other liabilities</b>     | <b>21,023</b>       | <b>20,028</b>       |
| <b>Equity:</b>                              |                     |                     |
| Share capital                               | 553,559             | 553,559             |
| Contributed surplus                         | 7,895               | 7,665               |
| Translation reserve                         | 61,215              | 77,425              |
| Hedge reserve                               | 16                  | 62                  |
| Retained earnings                           | 122,648             | 86,543              |
|   | <b>745,333</b>      | <b>725,254</b>      |
|   | <b>\$ 1,326,792</b> | <b>\$ 1,389,796</b> |

Approved on behalf of the Board of Directors:

*"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 and nine months ended September 30, 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, November 4, 2016 at 8:00 a.m. (Pacific Time) hosted by **INTERFOR CORPORATION** for the purpose of reviewing the Company’s release of its third 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 December 4, 2016. The number to call is **1-888-203-1112, Passcode 3632006**.

For further information:

John A. Horning, Executive Vice President and Chief Financial Officer  
(604) 689-6829