



Interfor Corporation

Vancouver, B.C.

May 2, 2019

Interfor Reports Q1'19 Results ***EBITDA¹ of \$16 million on Sales of \$451 million*** ***Net Debt to Invested Capital¹ of 16%; Liquidity of \$425 million***

INTERFOR CORPORATION ("Interfor" or the "Company") (TSX: IFP) recorded a net loss in Q1'19 of \$15.3 million, or \$0.23 per share, compared to \$13.5 million, or \$0.20 per share in Q4'18 and net earnings of \$32.7 million, or \$0.47 per share in Q1'18. Adjusted net loss in Q1'19 was \$12.7 million compared to \$20.2 million in Q4'18 and Adjusted net earnings of \$36.5 million in Q1'18.

Adjusted EBITDA was \$16.3 million on sales of \$451.2 million in Q1'19 versus \$8.9 million on sales of \$468.5 million in Q4'18. The Q1'19 Adjusted EBITDA included approximately \$1.2 million of expenses that were refinements of prior estimates.

Other notable items in the quarter included:

- Marginally Higher Lumber Prices
 - The key benchmark prices improved marginally quarter-over-quarter with the SYP Composite, Western SPF Composite and KD H-F Stud 2x4 9' increasing by US\$10, US\$41 and US\$21 per mfbm, respectively. Interfor's average lumber selling price increased \$14 from Q4'18 to \$613 per mfbm.
- Increased Production/Reduced Shipments
 - Total lumber production was 646 million board feet, or 39 million board feet more than the prior quarter with a return to normal operating schedules after the holidays and the easing of temporary production curtailments in the B.C. Interior. Production in the U.S. South increased to 316 million board feet from 303 million board feet in the preceding quarter. The B.C. and U.S. Northwest regions accounted for 195 million board feet and 135 million board feet, respectively, compared to 174 million board feet and 130 million board feet in Q4'18.
 - Total lumber shipments were 621 million board feet, including agency and wholesale volumes, or 26 million board feet lower than Q4'18.
 - On April 25, 2019, the Company announced temporary reductions in operating hours at its sawmills in the B.C. Interior for the month of May 2019 due to a combination of weak lumber prices and continuing high log costs.
- Continued Strong Financial Position
 - Net debt ended the quarter at \$172.7 million, or 15.6% of invested capital, resulting in available liquidity of \$425.3 million.
 - On March 28, 2019, the Company completed a modernization of its credit facilities. The new facility replaces the U.S. Operating Line, Canadian Operating Line, and Revolving Term Line with one consolidated facility. The new facility increased credit availability to \$350 million, which is in addition to the Company's US\$200 million of Senior Secured Notes, and matures in March 2024.

¹ Refer to Adjusted EBITDA and Net debt to invested capital in the Non-GAAP Measures section

- The Company generated \$17.1 million of cash flow from operations before changes in working capital, or \$0.25 per share. During the quarter, working capital increased by \$75.4 million as a result of the payment of 2018 incentive compensation as well as typical seasonal factors including a build up of lumber and log inventories in the B.C. Interior.
- Capital investments of \$43.8 million in Q1'19 included \$32.1 million primarily on U.S. South focused high-return discretionary projects, with the remainder related to maintenance capital and woodlands projects.
- Interfor purchased and cancelled 515,100 of its Common Shares ("Shares") at a cost of \$7.8 million in Q1'19. The Company's normal course issuer bid ("NCIB") was renewed on March 4, 2019 and permits the purchase of up to 6,652,006 Shares until its expiry on March 6, 2020.
- **Softwood Lumber Duties**
 - Interfor expensed \$11.1 million of duties in the quarter, representing the full amount of countervailing ("CV") and anti-dumping ("AD") duties incurred on its Canadian shipments of softwood lumber into the U.S. at a combined rate of 20.23%.
 - Cumulative duties of US\$68.7 million have been paid by Interfor since the inception of the current trade dispute and are held in trust by the U.S. Except for US\$3.3 million recorded as a long-term receivable in respect of overpayments arising from duty rate adjustments, Interfor has recorded the duty deposits as an expense.

Strategic Capital Plan Update

- Interfor continues to make progress on previously announced Phase I and II strategic capital projects in the U.S. South.
- The Phase I projects at the Meldrim, Georgia and Monticello, Arkansas sawmills are scheduled for completion in May 2019. Total project costs are expected to be within a 10% variance of the original US\$62.5 million budget. As of March 31, 2019, US\$48.7 million has been capitalized.
- The Phase II projects at the Thomaston and Eatonton sawmills in Georgia and the Georgetown sawmill in South Carolina are on track for completion in various stages over the period of 2019 to 2021. As of March 31, 2019, US\$21.7 million has been capitalized and the projects remain on budget.

Financial and Operating Highlights ¹

	Unit	For the three months ended		
		Mar. 31 2019	Mar. 31 2018	Dec. 31 2018
			(restated) ²	(restated) ²
Financial Highlights³				
Total sales	\$MM	451.2	527.6	468.5
Lumber	\$MM	380.5	445.9	387.7
Logs, residual products and other	\$MM	70.7	81.7	80.8
Operating earnings (loss)	\$MM	(16.8)	46.8	(16.9)
Net earnings (loss)	\$MM	(15.3)	32.7	(13.5)
Net earnings (loss) per share, basic	\$/share	(0.23)	0.47	(0.20)
Adjusted net earnings (loss) ³	\$MM	(12.7)	36.5	(20.2)
Adjusted net earnings (loss) per share, basic ⁴	\$/share	(0.19)	0.52	(0.29)
Operating cash flow per share (before working capital changes) ⁴	\$/share	0.25	1.12	0.14
Adjusted EBITDA ⁴	\$MM	16.3	83.5	8.9
Adjusted EBITDA margin ⁴	%	3.6%	15.8%	1.9%
Total assets	\$MM	1,491.5	1,448.2	1,565.3
Total debt	\$MM	267.3	257.9	272.8
Net debt ⁴	\$MM	172.7	127.1	63.8
Net debt to invested capital ⁴	%	15.6%	12.4%	6.2%
Annualized return on invested capital ⁴	%	6.1%	33.5%	3.6%
Operating Highlights				
Lumber production	million fbm	646	666	607
Total lumber sales	million fbm	621	648	647
Lumber sales - Interfor produced	million fbm	610	635	639
Lumber sales - wholesale and commission	million fbm	11	13	8
Lumber - average selling price ⁵	\$/thousand fbm	613	688	599
Average USD/CAD exchange rate ⁶	1 USD in CAD	1.3295	1.2647	1.3204
Closing USD/CAD exchange rate ⁶	1 USD in CAD	1.3363	1.2894	1.3642

Notes:

- 1 Figures in this table may not equal or sum to figures presented elsewhere due to rounding.
- 2 Financial information has been restated for implementation of IFRS 16, *Leases*.
- 3 Financial information presented for interim periods in this release is prepared in accordance with IFRS and is unaudited.
- 4 Refer to the Non-GAAP Measures section of this release for definitions and reconciliations of these measures to figures reported in the Company's consolidated financial statements.
- 5 Gross sales before duties.
- 6 Based on Bank of Canada foreign exchange rates.

Liquidity

Balance Sheet

Interfor's net debt at March 31, 2019 was \$172.7 million, or 15.6% of invested capital, representing an increase of \$108.9 million from the level at December 31, 2018. This increase includes funding of capital projects, short term incentive compensation payments, inventory builds, share capital repurchases, and finance and leasing costs.

Net debt was negatively impacted by a weaker Canadian Dollar against the U.S. Dollar as all debt held was denominated in U.S. Dollars; this was partially hedged by the Company's U.S. Dollar cash balances.

For the three months ended

Mar. 31, Dec. 31, Mar. 31,
2019 2018 2018

Thousands of Dollars

Net debt	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Net debt, period opening	\$63,825	\$3,800	\$119,300
Net drawing (repayment) on credit facilities	750	(1)	(1)
Impact on U.S. Dollar denominated debt from (strengthening) weakening CAD	(6,330)	13,941	6,981
Decrease in cash and cash equivalents	68,890	7,286	2,509
Decrease in marketable securities	41,766	49,871	-
Impact on U.S. Dollar denominated cash and cash equivalents and marketable securities from strengthening (weakening) CAD	3,845	(11,072)	(1,725)
Net debt, period ending, CAD	\$172,746	\$63,825	\$127,064

On March 28, 2019, the Company completed a modernization of its credit facilities. The new facility replaces the U.S. Operating Line, Canadian Operating Line, and Revolving Term Line with one consolidated facility. The new facility increased credit availability to \$350 million and matures in March 2024.

As at March 31, 2019, the Company had net working capital of \$306.8 million and available liquidity of \$425.3 million, including cash and borrowing capacity on its term line facility.

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 enough liquidity to fund operating and capital requirements for the foreseeable future.

Capital Resources

The following table summarizes Interfor's credit facilities and availability as of March 31, 2019:

Thousands of Canadian Dollars	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	\$350,000	\$267,260	\$617,260
Maximum borrowing available	\$350,000	\$267,260	\$617,260
Less:			
Drawings	-	267,260	267,260
Outstanding letters of credit included in line utilization	19,249	-	19,249
Unused portion of facility	\$330,751	\$ -	330,751
Add:			
Cash and cash equivalents			94,514
Available liquidity at March 31, 2019			\$425,265

As of March 31, 2019, the Company had commitments for capital expenditures totaling \$154.4 million for both maintenance and discretionary capital projects.

Non-GAAP Measures

This release makes reference to the following non-GAAP measures: Adjusted net earnings, Adjusted net earnings per share, EBITDA, Adjusted EBITDA, Net debt to invested capital and Operating cash flow per share (before working capital changes) 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 audited consolidated financial statements (unaudited for interim periods) prepared in accordance with IFRS:

Thousands of Canadian Dollars except number of shares and per share amounts	For the three months ended		
	Mar. 31, 2019	Mar. 31, 2018 (restated) ¹	Dec. 31, 2018 (restated) ¹
Adjusted Net Earnings (Loss)			
Net earnings (loss)	\$ (15,302)	\$ 32,665	\$ (13,512)
Add:			
Restructuring costs and capital asset write-downs	1,665	236	4,551
Other foreign exchange gain	(340)	(111)	(3,330)
Long term incentive compensation expense (recovery)	1,983	4,858	(9,180)
Other income (expense)	164	178	(1,254)
Post closure wind-down costs and losses	-	4	-
Income tax effect of above adjustments	(875)	(1,374)	2,530
Adjusted net earnings (loss)	\$(12,705)	\$36,456	\$(20,195)
Weighted average number of shares - basic ('000)	67,348	70,033	68,884
Adjusted net earnings (loss) per share	\$(0.19)	\$0.52	\$(0.29)
Adjusted EBITDA			
Net earnings (loss)	\$ (15,302)	\$ 32,665	\$ (13,512)
Add:			
Depreciation of plant and equipment	19,722	20,021	19,241
Depletion and amortization of timber, roads and other	9,737	11,764	11,229
Restructuring costs and capital asset write-downs	1,665	236	4,551
Finance costs	4,176	3,411	2,758
Other foreign exchange gain	(340)	(111)	(3,330)
Income tax expense (recovery)	(5,508)	10,467	(1,553)
EBITDA	14,150	78,453	19,384
Add:			
Long term incentive compensation expense (recovery)	1,983	4,858	(9,180)
Other income (expense)	164	178	(1,254)
Post closure wind-down costs and losses	-	4	-
Adjusted EBITDA	\$16,297	\$83,493	\$8,950
Sales	451,163	527,644	468,544
Adjusted EBITDA margin	3.6%	15.8%	1.9%
Net debt to invested capital			
Net debt			
Total debt	\$267,260	\$257,880	\$272,840
Cash and cash equivalents	(94,514)	(130,816)	(166,152)
Marketable securities	-	-	(42,863)
Total net debt	\$172,746	\$127,064	\$63,825
Invested capital			
Net debt	\$172,746	\$127,064	\$63,825
Shareholders' equity	933,509	896,215	968,766
Total invested capital	\$1,106,255	\$1,023,279	\$1,032,591
Net debt to invested capital ²	15.6%	12.4%	6.2%
Operating cash flow per share (before working capital changes)			
Cash (used in) provided by operating activities	\$(58,350)	\$21,073	\$21,096
Cash used in (generated from) operating working capital	75,435	57,050	(11,253)
Operating cash flow (before working capital changes)	\$17,085	\$78,123	\$9,843
Weighted average number of shares - basic ('000)	67,348	70,033	68,884
Operating cash flow per share (before working capital changes)	\$0.25	\$1.12	\$0.14
Return on invested capital			
Adjusted EBITDA	\$16,297	\$83,493	\$8,950
Invested capital, beginning of period	\$1,032,591	\$968,853	\$984,189
Invested capital, end of period	1,106,255	1,023,279	1,032,591
Average invested capital	\$1,069,423	\$996,066	\$1,008,390
Adjusted EBITDA divided by average invested capital	1.5%	8.4%	0.9%
Annualization factor	4.0	4.0	4.0
Return on invested capital	6.1%	33.5%	3.6%

Notes:

- 1 Financial information has been restated for implementation of IFRS 16, *Leases*.
- 2 Net debt to invested capital as of the period end.



CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
For the three months ended March 31, 2019 and 2018 (unaudited)

(thousands of Canadian Dollars except earnings per share)	Three Months Mar. 31, 2019	Three Months Mar. 31, 2018 (restated) ¹
Sales	\$451,163	\$527,644
Costs and expenses:		
Production	413,183	417,397
Selling and administration	10,565	13,829
Long term incentive compensation expense	1,983	4,858
U.S. countervailing and anti-dumping duty deposits	11,118	12,929
Depreciation of plant and equipment	19,722	20,021
Depletion and amortization of timber, roads and other	9,737	11,764
	466,308	480,798
Operating earnings (loss) before write-downs and restructuring	(15,145)	46,846
Capital asset write-downs and restructuring costs	1,665	236
Operating earnings (loss)	(16,810)	46,610
Finance costs	(4,176)	(3,411)
Other foreign exchange gain	340	111
Other expense	(164)	(178)
	(4,000)	(3,478)
Earnings (loss) before income taxes	(20,810)	43,132
Income tax expense (recovery):		
Current	160	770
Deferred	(5,668)	9,697
	(5,508)	10,467
Net earnings (loss)	\$(15,302)	\$32,665
Net earnings (loss) per share, basic and diluted	\$(0.23)	\$0.47

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the three months ended March 31, 2019 and 2018 (unaudited)

(thousands of Canadian Dollars)	Three Months Mar. 31, 2019	Three Months Mar. 31, 2018 (restated) ¹
Net earnings (loss)	\$(15,302)	\$32,665
Other comprehensive income (loss):		
Items that will not be recycled to Net earnings (loss):		
Defined benefit plan actuarial gain, net of tax	572	885
Items that are or may be recycled to Net earnings (loss):		
Foreign currency translation differences for foreign operations, net of tax	(12,873)	12,833
Total other comprehensive income (loss), net of tax	(12,301)	13,718
Comprehensive income (loss)	\$(27,603)	\$46,383

Notes:

1 Financial information has been restated for implementation of IFRS 16, *Leases*.



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2019 and 2018 (unaudited)

(thousands of Canadian Dollars)

	Three Months Mar. 31, 2019	Three Months Mar. 31, 2018 (restated) ¹
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	\$(15,302)	\$32,665
Items not involving cash:		
Depreciation of plant and equipment	19,722	20,021
Depletion and amortization of timber, roads and other	9,737	11,764
Income tax expense (recovery)	(5,508)	10,467
Finance costs	4,176	3,411
Other assets	17	(295)
Reforestation liability	2,507	2,289
Provisions and other liabilities	(203)	(2,816)
Stock options	108	137
Write-down of plant, equipment and intangibles	1,723	219
Unrealized foreign exchange loss (gain)	(56)	83
Other expense	164	178
	17,085	78,123
Cash generated from (used in) operating working capital:		
Trade accounts receivable and other	(14,575)	(10,748)
Inventories	(27,170)	(34,037)
Prepayments	(2,869)	(4,255)
Trade accounts payable and provisions	(30,524)	(7,839)
Income taxes paid	(297)	(171)
	(58,350)	21,073
Investing activities:		
Additions to property, plant and equipment	(35,926)	(12,039)
Additions to roads and bridges	(7,844)	(6,082)
Additions to timber licences and other intangible assets	(52)	13
Proceeds on disposal of property, plant and equipment	108	109
Net proceeds from (additions to) investments and other assets	46,771	(502)
	3,057	(18,501)
Financing activities:		
Share issuance, net of expenses	63	143
Share repurchase	(7,825)	-
Interest payments	(2,580)	(3,033)
Lease liability payments	(2,986)	(2,189)
Debt refinancing costs	(1,019)	(1)
Change in operating line components of long term debt	-	(1)
Additions to long term debt	197,925	-
Repayments of long term debt	(197,175)	-
	(13,597)	(5,081)
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	(2,748)	1,725
Decrease in cash and cash equivalents	(71,638)	(784)
Cash and cash equivalents, beginning of period	166,152	131,600
Cash and cash equivalents, end of period	\$94,514	\$130,816

Notes:

1 Financial information has been restated for implementation of IFRS 16, *Leases*.



CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2019, December 31, 2018 and January 1, 2018 (unaudited)

(thousands of Canadian Dollars)

	Mar. 31, 2019	Dec. 31, 2018 (restated) ¹	Jan. 1, 2018 (restated) ¹
Assets			
Current assets:			
Cash and cash equivalents	\$94,514	\$166,152	\$131,600
Marketable securities	-	42,863	-
Trade accounts receivable and other	104,528	90,384	112,470
Income taxes receivable	2,938	3,008	1,289
Inventories	235,231	209,178	165,156
Prepayments	19,513	16,833	12,186
	456,724	528,418	422,701
Employee future benefits	1,058	303	502
Deposits and other assets	11,362	16,842	6,404
Right of use assets	38,220	37,778	38,600
Property, plant and equipment	726,778	723,773	669,165
Roads and bridges	32,776	29,829	24,092
Timber licences	63,549	64,153	66,589
Other intangible assets	4,358	5,288	14,170
Goodwill	155,819	158,799	147,081
Deferred income taxes	872	133	253
	\$1,491,516	\$1,565,316	\$1,389,557
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade accounts payable and provisions	\$124,945	\$154,869	\$152,355
Reforestation liability	14,212	13,947	12,873
Lease liability	10,577	10,158	8,019
Income taxes payable	202	356	224
	149,936	179,330	173,471
Reforestation liability	30,879	28,235	27,535
Lease liability	33,660	33,954	36,165
Long term debt	267,260	272,840	250,900
Employee future benefits	8,880	8,687	8,249
Provisions and other liabilities	16,252	16,421	25,808
Deferred income taxes	51,140	57,083	17,877
Equity:			
Share capital	533,539	537,534	555,388
Contributed surplus	3,931	3,851	8,582
Translation reserve	71,520	84,393	40,733
Retained earnings	324,519	342,988	244,849
	933,509	968,766	849,552
	\$1,491,516	\$1,565,316	\$1,389,557

Notes:

1 Financial information has been restated for implementation of IFRS 16, *Leases*.

Approved on behalf of the Board:

"L. Sauder"
Director

"Thomas V. Milroy"
Director

FORWARD-LOOKING STATEMENTS

This release contains forward-looking information about the Company's business outlook, objectives, plans, strategic priorities and other information that is not historical fact. A statement contains forward-looking information when the Company uses what it knows and expects today, to make a statement about the future. Generally, statements containing forward-looking information can be identified by the use of words such as: believe, expect, intend, forecast, plan, target, budget, outlook, opportunity, risk, strategy or variations or comparable language, or statements that certain actions, events or results may, could, would, should, might, or will occur or not occur. Readers are cautioned that actual results may vary from the forward-looking information in this release, and undue reliance should not be placed on such forward-looking information. Risk factors that could cause actual results to differ materially from the forward-looking information in this release are described in Interfor's annual Management's Discussion & Analysis under the heading "Risks and Uncertainties", which is available on www.interfor.com and under Interfor's profile on www.sedar.com. Material factors and assumptions used to develop the forward-looking information in this release include assumptions regarding selling prices for lumber, logs and wood chips; the Company's ability to compete on a global basis; the availability and cost of log supply; the effects of natural or man-made disasters; currency exchange rates; changes in government regulations; the availability of the Company's allowable annual cut ("AAC"); claims by and treaty settlements with Indigenous peoples; the Company's ability to export its products; the softwood lumber dispute between Canada and the U.S.; stumpage fees payable to the Province of British Columbia; environmental impacts of the Company's operations; labour disruptions; and the efficacy of information systems security. Unless otherwise indicated, the forward-looking information in this release is based on the Company's expectations at the date of this release. Interfor undertakes no obligation to update such forward-looking information, except as 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 3.1 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.

The Company's unaudited consolidated financial statements and Management's Discussion and Analysis for Q1'19 are available at www.sedar.com and www.interfor.com.

There will be a conference call on Friday, May 3, 2019 at 8:00 a.m. (Pacific Time) hosted by **INTERFOR CORPORATION** for the purpose of reviewing the Company's release of its first quarter 2019 financial results.

The dial-in number is **1-833-297-9919**. The conference call will also be recorded for those unable to join in for the live discussion and will be available until June 2, 2019. The number to call is **1-855-859-2056, Passcode 8868218**.

For further information:

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