



Interfor Corporation

Vancouver, B.C.

February 6, 2020

Interfor Reports Q4'19 Results EBITDA¹ of \$18 million on Sales of \$457 million Net Debt to Invested Capital¹ of 21%; Liquidity of \$363 million

INTERFOR CORPORATION ("Interfor" or the "Company") (TSX: IFP) recorded a net loss of \$103.8 million, or \$1.54 per share, in 2019, compared to net earnings of \$111.1 million, or \$1.59 per share in 2018. Adjusted EBITDA was \$63.4 million on sales of \$1.9 billion.

Interfor recorded a net loss in Q4'19 of \$41.7 million, or \$0.62 per share, compared to \$35.6 million, or \$0.53 per share in Q3'19 and \$13.5 million, or \$0.20 per share in Q4'18. Adjusted net loss in Q4'19 was \$17.4 million compared to \$11.8 million in Q3'19 and \$20.2 million in Q4'18.

Adjusted EBITDA was \$17.6 million on sales of \$456.8 million in Q4'19 versus \$16.8 million on sales of \$486.5 million in Q3'19.

Included in the Company's results for Q4'19 are \$22.7 million (after-tax) for capital asset write-downs and restructuring costs, or \$30.4 million on a pre-tax basis. This includes \$13.1 million of non-cash impairments for goodwill related to the reconfiguration of the Company's B.C. Coastal business and \$16.1 million of non-cash asset impairments on assets in the U.S. Northwest business to reflect their fair value, as well as cash costs of \$1.2 million for discontinued operations.

Notable items in the quarter included:

- **Mixed Lumber Price Movements**
 - Movements in key benchmark prices were mixed compared to Q3'19 as the Western SPF Composite and KD H-F Stud 2x4 9' benchmarks rose by US\$16 to US\$354 per mfbm and US\$10 to US\$347 per mfbm, respectively while the SYP Composite declined by US\$15 to US\$340 per mfbm.
 - Interfor's average lumber selling price fell \$17 to \$566 per mfbm, on 681 million board feet of lumber sales, partially due to a change in species mix and decline in specialty sales as a result of the closure of the Hammond sawmill.
- **Production Balanced with Shipments**
 - Total lumber production was 668 million board feet, down 17 million board feet from Q3'19. Production in the B.C. region declined to 187 million board feet from 205 million board feet in the preceding quarter due to the previously announced closure of the Hammond sawmill. The U.S. South and U.S. Northwest regions accounted for 342 million board feet compared to 348 million board feet and 139 million board feet compared to 131 million board feet in Q3'19, respectively.
 - Total lumber shipments were 681 million board feet, including Interfor produced volume of 671 million board feet and agency and wholesale volumes of 10 million board feet, or 11 million board feet lower than Q3'19.
 - Lumber inventory levels ended at 4 million board feet lower than in Q3'19.

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

- Continued Strong Financial Position
 - Net debt ended the quarter at \$224.9 million, or 21.3% of invested capital, resulting in available liquidity of \$363.1 million.
 - Interfor generated \$16.3 million of cash flow from operations before changes in working capital, or \$0.24 per share. Total cash generated from operations was \$24.6 million, resulting primarily from lower trade receivable balances.
 - Capital spending was \$37.0 million in Q4'19, including \$26.6 million on high-return discretionary projects primarily in the U.S. South.
- Softwood Lumber Duties
 - Interfor expensed \$11.2 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%.
 - On February 3, 2020, the U.S. Department of Commerce (the "DoC") issued preliminary revised combined rates of 8.37% for 2017 and 8.21% for 2018. These rates are the result of the DoC's administrative review and are subject to change until its final rate determinations which are expected in August 2020. At such time, the final rates will be applied to new lumber shipments. No adjustments have been recorded in the financial statements as of December 31, 2019 to reflect the preliminary revised duty rates.
 - Cumulative duties of US\$94.2 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 in respect of overpayments arising from duty rate adjustments, Interfor has recorded the duty deposits as an expense.

Reconfiguration of B.C. Coastal Business

On September 3, 2019, Interfor announced a plan to reconfigure its B.C. Coastal business, including the permanent closure of its Hammond sawmill, located in Maple Ridge, B.C., and the reorganization of its forestry and woodlands operations.

Hammond ceased lumber production in early October 2019, sold most of the related log and lumber inventories in Q3'19 and Q4'19 and is expected to sell its remaining lumber inventories by the end of Q1'20. The Hammond site is no longer in use.

Strategic Capital Plan Update

Interfor's previously announced Phase I strategic capital projects at the Meldrim, Georgia and Monticello, Arkansas sawmills were substantially completed at the end of Q2'19 and continue through the ramp-up phase.

The Phase II projects at the Thomaston and Eatonton sawmills in Georgia and the Georgetown sawmill in South Carolina, with a budget of US\$240 million, are on track for completion in various stages from 2020 to 2022. As of December 31, 2019, US\$56.9 million has been capitalized and the projects remain on budget.

Acquisition of B.C. Interior Cutting Rights from Canfor

On June 3, 2019, Interfor entered into a purchase agreement with Canadian Forest Products Ltd. ("Canfor") to acquire two replaceable timber licences with annual cutting rights of approximately 349,000 cubic metres, an interest in a non-replaceable forest licence and other related forestry assets in the Adams Lake area of the B.C. Interior.

The transaction remains subject to various consents, including that by the Government of B.C. and is currently targeted to close in Q1'20 as consultation with stakeholders continues.

Financial and Operating Highlights¹

| Unit | For the 3 months ended | | | For the year ended Dec.31 | | | |
|---|------------------------|-------------------------|------------------|---------------------------|-------------------------|-------------------------|---------|
| | Dec. 31 2019 | Dec. 31 2018 | Sept. 30 2019 | 2019 | 2018 | 2017 | |
| | | (restated) ² | | | (restated) ² | (restated) ² | |
| Financial Highlights³ | | | | | | | |
| Total sales | \$MM | 456.8 | 468.5 | 486.5 | 1,875.8 | 2,186.6 | 1,990.1 |
| Lumber | \$MM | 385.2 | 387.7 | 403.5 | 1,576.1 | 1,841.0 | 1,679.4 |
| Logs, residual products and other | \$MM | 71.6 | 80.8 | 83.0 | 299.7 | 345.6 | 310.7 |
| Operating earnings (loss) | \$MM | (49.0) | (16.9) | (44.8) | (128.8) | 157.9 | 151.2 |
| Net earnings (loss) | \$MM | (41.7) | (13.5) | (35.6) | (103.8) | 111.1 | 97.1 |
| Net earnings (loss) per share, basic | \$/share | (0.62) | (0.20) | (0.53) | (1.54) | 1.59 | 1.39 |
| Adjusted net earnings (loss) ⁴ | \$MM | (17.4) | (20.2) | (11.8) | (58.1) | 113.5 | 116.5 |
| Adjusted net earnings (loss) per share, basic ⁴ | \$/share | (0.26) | (0.29) | (0.17) | (0.86) | 1.63 | 1.66 |
| Operating cash flow per share (before working capital changes) ⁴ | \$/share | 0.24 | 0.14 | 0.03 | 0.68 | 4.12 | 4.03 |
| Adjusted EBITDA ⁴ | \$MM | 17.6 | 8.9 | 16.8 | 63.4 | 291.6 | 296.8 |
| Adjusted EBITDA margin ⁴ | % | 3.9% | 1.9% | 3.5% | 3.4% | 13.3% | 14.9% |
| | | | | | | | |
| Total assets | \$MM | 1,341.9 | 1,565.3 | 1,421.0 | 1,341.9 | 1,565.3 | 1,389.6 |
| Total debt | \$MM | 259.8 | 272.8 | 264.9 | 259.8 | 272.8 | 250.9 |
| Net debt ⁴ | \$MM | 224.9 | 63.8 | 212.7 | 224.9 | 63.8 | 119.3 |
| Net debt to invested capital ⁴ | % | 21.3% | 6.2% | 19.4% | 21.3% | 6.2% | 12.3% |
| Annualized return on invested capital ⁴ | % | 6.6% | 3.6% | 6.1% | 6.3% | 29.1% | 29.0% |
| Operating Highlights | | | | | | | |
| Lumber production | million fbm | 668 | 607 | 685 | 2,646 | 2,635 | 2,595 |
| Total lumber sales | million fbm | 681 | 647 | 692 | 2,668 | 2,680 | 2,677 |
| Lumber sales - Interfor produced | million fbm | 671 | 639 | 681 | 2,626 | 2,638 | 2,594 |
| Lumber sales - wholesale and commission | million fbm | 10 | 8 | 11 | 42 | 42 | 83 |
| Lumber - average selling price ⁵ | \$/thousand fbm | 566 | 599 | 583 | 591 | 687 | 627 |
| | | | | | | | |
| Average USD/CAD exchange rate ⁶ | 1 USD in CAD | 1.3200 | 1.3204 | 1.3204 | 1.3269 | 1.2957 | 1.2986 |
| Closing USD/CAD exchange rate ⁶ | 1 USD in CAD | 1.2988 | 1.3642 | 1.3243 | 1.2988 | 1.3642 | 1.2545 |

Notes:

- Figures in this table may not equal or sum to figures presented elsewhere due to rounding.
- Financial information has been restated for implementation of IFRS 16, *Leases*.
- Financial information presented for interim periods in this release is prepared in accordance with IFRS and is unaudited.
- 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.
- Gross sales before duties.
- Based on Bank of Canada foreign exchange rates.

Liquidity

Balance Sheet

Interfor's net debt at December 31, 2019 was \$224.9 million, or 21.3% of invested capital, representing an increase of \$161.0 million from the level of net debt at December 31, 2018.

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

| Thousands of Dollars | For the three months ended | | | For the year ended | |
|--|----------------------------|------------------|-------------------|--------------------|------------------|
| | Dec. 31, 2019 | Dec. 31, 2018 | Sept. 30, 2019 | Dec. 31, 2019 | Dec. 31, 2018 |
| Net debt | | | | | |
| Net debt, period opening | \$212,674 | \$3,800 | \$198,209 | \$63,825 | \$119,300 |
| Net drawing (repayment) on credit facilities | (1) | (1) | - | 754 | 110 |
| Impact on U.S. Dollar denominated debt from (strengthening) weakening CAD | (5,099) | 13,941 | 3,120 | (13,834) | 21,830 |
| Decrease (increase) in cash and cash equivalents | 16,994 | 7,286 | 11,747 | 127,659 | (23,968) |
| Decrease (increase) in marketable securities | - | 49,871 | - | 41,766 | (41,140) |
| Impact on U.S. Dollar denominated cash and cash equivalents and marketable securities from strengthening (weakening) CAD | 292 | (11,072) | (402) | 4,690 | (12,307) |
| Net debt, period ending | \$224,860 | \$63,825 | \$212,674 | \$224,860 | \$63,825 |

On March 28, 2019, the Company completed a modernization of its credit facilities. The new facility replaced 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 December 31, 2019, the Company had net working capital of \$187.9 million and available liquidity of \$363.1 million, including cash and borrowing capacity on its credit 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 sufficient 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 December 31, 2019:

| Thousands of Canadian Dollars | Revolving Term Line | Senior Secured Notes | Total |
|--|---------------------------|----------------------------|-----------|
| Available line of credit | \$350,000 | \$259,760 | \$609,760 |
| Maximum borrowing available | \$350,000 | \$259,760 | \$609,760 |
| Less: | | | |
| Drawings | - | 259,760 | 259,760 |
| Outstanding letters of credit included in line utilization | 21,752 | - | 21,752 |
| Unused portion of facility | \$328,248 | \$- | 328,248 |
| Add: | | | |
| Cash and cash equivalents | | | 34,900 |
| Available liquidity at December 31, 2019 | | | \$363,148 |

As of December 31, 2019, the Company had commitments for capital expenditures totaling \$93.5 million for both maintenance and discretionary capital projects and \$60 million in respect of its purchase agreement with Canfor to acquire two replaceable timber licences and a non-replaceable forest licence and other related forestry assets.

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, 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 3 months ended | | | For the year ended Dec.31 | | |
|---|------------------------|-------------------------|---------------|---------------------------|-------------------------|-------------------------|
| | Dec. 31 2019 | Dec. 31 2018 | Sept. 30 2019 | 2019 | 2018 | 2017 |
| | | (restated) ¹ | | | (restated) ¹ | (restated) ¹ |
| Adjusted Net Earnings (Loss) | | | | | | |
| Net earnings (loss) | \$(41,676) | \$(13,512) | \$(35,648) | \$(103,785) | \$111,058 | \$97,119 |
| Add: | | | | | | |
| Capital asset and goodwill write-downs and restructuring costs | 30,416 | 4,551 | 31,814 | 63,982 | 15,304 | 9,203 |
| Other foreign exchange loss (gain) | 510 | (3,330) | (216) | 275 | (3,474) | 2,035 |
| Long term incentive compensation expense (recovery) | 1,265 | (9,180) | 1,049 | 3,446 | (7,829) | 12,977 |
| Other (income) expense | 298 | (1,254) | 100 | (5,925) | (1,188) | 1,987 |
| Post closure wind-down costs and losses (recoveries) | - | - | - | - | 4 | (21) |
| Income tax effect of above adjustments | (8,241) | 2,530 | (8,867) | (16,117) | (396) | (6,848) |
| Adjusted net earnings (loss) | \$(17,428) | \$(20,195) | \$(11,768) | \$(58,124) | \$113,479 | \$116,452 |
| Weighted average number of shares - basic ('000) | 67,257 | 68,884 | 67,253 | 67,277 | 69,713 | 70,030 |
| Adjusted net earnings (loss) per share | \$(0.26) | \$(0.29) | \$(0.17) | \$(0.86) | \$1.63 | \$1.66 |
| Adjusted EBITDA | | | | | | |
| Net earnings (loss) | \$(41,676) | \$(13,512) | \$(35,648) | \$(103,785) | \$111,058 | \$97,119 |
| Add: | | | | | | |
| Depreciation of plant and equipment | 20,711 | 19,241 | 20,595 | 80,438 | 80,065 | 77,417 |
| Depletion and amortization of timber, roads and other | 14,214 | 11,229 | 8,142 | 44,294 | 46,148 | 45,957 |
| Capital asset and goodwill write-downs and restructuring costs | 30,416 | 4,551 | 31,814 | 63,982 | 15,304 | 9,203 |
| Finance costs | 3,740 | 2,758 | 3,784 | 15,024 | 12,452 | 15,978 |
| Other foreign exchange loss (gain) | 510 | (3,330) | (216) | 275 | (3,474) | 2,035 |
| Income tax expense (recovery) | (11,851) | (1,553) | (12,804) | (34,359) | 39,092 | 34,115 |
| EBITDA | 16,064 | 19,384 | 15,667 | 65,869 | 300,645 | 281,824 |
| Add: | | | | | | |
| Long term incentive compensation expense (recovery) | 1,265 | (9,180) | 1,049 | 3,446 | (7,829) | 12,977 |
| Other (income) expense | 298 | (1,254) | 100 | (5,925) | (1,188) | 1,987 |
| Post closure wind-down costs and losses (recoveries) | - | - | - | - | 4 | (21) |
| Adjusted EBITDA | \$17,627 | \$8,950 | \$16,816 | \$63,390 | \$291,632 | \$296,767 |
| Sales | \$456,819 | \$468,544 | \$486,494 | \$1,875,821 | \$2,186,567 | \$1,990,106 |
| Adjusted EBITDA margin | 3.9% | 1.9% | 3.5% | 3.4% | 13.3% | 14.9% |
| Net debt to invested capital | | | | | | |
| Net debt | | | | | | |
| Total debt | \$259,760 | \$272,840 | \$264,860 | \$259,760 | \$272,840 | \$250,900 |
| Cash and cash equivalents | (34,900) | (166,152) | (52,186) | (34,900) | (166,152) | (131,600) |
| Marketable securities | - | (42,863) | - | - | (42,863) | - |
| Total net debt | \$224,860 | \$63,825 | \$212,674 | \$224,860 | \$63,825 | \$119,300 |
| Invested capital | | | | | | |
| Net debt | \$224,860 | \$63,825 | \$212,674 | \$224,860 | \$63,825 | \$119,300 |
| Shareholders' equity | 830,982 | 968,766 | 880,854 | 830,982 | 968,766 | 849,552 |
| Total invested capital | \$1,055,842 | \$1,032,591 | \$1,093,528 | \$1,055,842 | \$1,032,591 | \$968,852 |
| Net debt to invested capital ² | 21.3% | 6.2% | 19.4% | 21.3% | 6.2% | 12.3% |
| Operating cash flow per share (before working capital changes) | | | | | | |
| Cash provided by operating activities | \$24,642 | \$21,096 | \$29,658 | \$28,252 | \$265,612 | \$266,748 |
| Cash used in (generated from) operating working capital | (8,334) | (11,253) | (27,336) | 17,322 | 21,457 | 15,621 |
| Operating cash flow (before working capital changes) | \$16,308 | \$9,843 | \$2,322 | \$45,574 | \$287,069 | \$282,369 |
| Weighted average number of shares - basic ('000) | 67,257 | 68,884 | 67,253 | 67,277 | 69,713 | 70,030 |
| Operating cash flow per share (before working capital changes) | \$0.24 | \$0.14 | \$0.03 | \$0.68 | \$4.12 | \$4.03 |
| Annualized return on invested capital | | | | | | |
| Adjusted EBITDA | \$17,627 | \$8,950 | \$16,816 | \$63,390 | \$291,632 | \$296,767 |
| Invested capital, beginning of period | \$1,093,528 | \$984,189 | \$1,109,618 | \$1,032,591 | \$968,852 | \$1,076,218 |
| Invested capital, end of period | 1,055,842 | 1,032,591 | 1,093,528 | 1,055,842 | 1,032,591 | 968,852 |
| Average invested capital | \$1,074,685 | \$1,008,390 | \$1,101,573 | \$1,044,217 | \$1,000,722 | 1,022,535 |
| Adjusted EBITDA divided by average invested capital | 1.6% | 0.9% | 1.5% | 6.1% | 29.1% | 29.0% |
| Annualization factor | 4.0 | 4.0 | 4.0 | 1.0 | 1.0 | 1.0 |
| Annualized return on invested capital | 6.6% | 3.6% | 6.1% | 6.1% | 29.1% | 29.0% |

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 and year ended December 31, 2019 and 2018 (unaudited)

| (thousands of Canadian Dollars except earnings per share) | Three Months Dec. 31, 2019 | Three Months Dec. 31, 2018 (restated) ¹ | Year Dec. 31, 2019 | Year Dec. 31, 2018 (restated) ¹ |
|---|-------------------------------|--|-----------------------|--|
| Sales | \$456,819 | \$468,544 | \$1,875,821 | \$2,186,567 |
| Costs and expenses: | | | | |
| Production | 418,954 | 438,036 | 1,728,394 | 1,789,590 |
| Selling and administration | 8,992 | 11,897 | 38,748 | 52,012 |
| Long term incentive compensation expense (recovery) | 1,265 | (9,180) | 3,446 | (7,829) |
| U.S. countervailing and anti-dumping duty deposits | 11,246 | 9,661 | 45,289 | 53,337 |
| Depreciation of plant and equipment | 20,711 | 19,241 | 80,438 | 80,065 |
| Depletion and amortization of timber, roads and other | 14,214 | 11,229 | 44,294 | 46,148 |
| | 475,382 | 480,884 | 1,940,609 | 2,013,323 |
| Operating earnings (loss) before write-downs and restructuring costs | (18,563) | (12,340) | (64,788) | 173,244 |
| Capital asset and goodwill write-downs and restructuring costs | (30,416) | (4,551) | (63,982) | (15,304) |
| Operating earnings (loss) | (48,979) | (16,891) | (128,770) | 157,940 |
| Finance costs | (3,740) | (2,758) | (15,024) | (12,452) |
| Other foreign exchange gain (loss) | (510) | 3,330 | (275) | 3,474 |
| Other income (expense) | (298) | 1,254 | 5,925 | 1,188 |
| | (4,548) | 1,826 | (9,374) | (7,790) |
| Earnings (loss) before income taxes | (53,527) | (15,065) | (138,144) | 150,150 |
| Income tax expense (recovery): | | | | |
| Current | (783) | (45) | 26 | 2,955 |
| Deferred | (11,068) | (1,508) | (34,385) | 36,137 |
| | (11,851) | (1,553) | (34,359) | 39,092 |
| Net earnings (loss) | \$(41,676) | \$(13,512) | \$(103,785) | \$111,058 |
| Net earnings (loss) per share, basic and diluted | \$(0.62) | \$(0.19) | \$(1.54) | \$1.59 |

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

| (thousands of Canadian Dollars) | Three Months Dec. 31, 2019 | Three Months Dec. 31, 2018 (restated) ¹ | Year Dec. 31, 2019 | Year Dec. 31, 2018 (restated) ¹ |
|---|-------------------------------|--|-----------------------|--|
| Net earnings (loss) | \$(41,676) | \$(13,512) | \$(103,785) | \$111,058 |
| Other comprehensive income (loss): | | | | |
| Items that will not be recycled to Net earnings (loss): | | | | |
| Defined benefit plan actuarial gain (loss), net of tax | 1,621 | (2,338) | 603 | 508 |
| Items that are or may be recycled to Net earnings (loss): | | | | |
| Foreign currency translation differences for foreign operations, net of tax | (10,053) | 28,990 | (27,634) | 43,660 |
| Total other comprehensive income (loss), net of tax | (8,432) | 26,652 | (27,031) | 44,168 |
| Comprehensive income (loss) | \$(50,108) | \$13,140 | \$(130,816) | \$155,226 |

Notes:

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



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

(thousands of Canadian Dollars)

| | Three Months Dec. 31, 2019 | Three Months Dec. 31, 2018 (restated) ¹ | Year Dec. 31, 2019 | Year Dec. 31, 2018 (restated) ¹ |
|---|-------------------------------|--|-----------------------|--|
| Cash provided by (used in): | | | | |
| Operating activities: | | | | |
| Net earnings (loss) | \$(41,676) | \$(13,512) | \$(103,785) | \$111,058 |
| Items not involving cash: | | | | |
| Depreciation of plant and equipment | 20,711 | 19,241 | 80,438 | 80,065 |
| Depletion and amortization of timber, roads and other | 14,214 | 11,229 | 44,294 | 46,148 |
| Income tax expense (recovery) | (11,851) | (1,553) | (34,359) | 39,092 |
| Finance costs | 3,740 | 2,758 | 15,024 | 12,452 |
| Other assets | 1,371 | (2,824) | 1,894 | (3,000) |
| Reforestation liability | 1,291 | 763 | (1,286) | 79 |
| Provisions and other liabilities | (1,586) | (4,980) | 3,620 | (8,972) |
| Stock options | 151 | 216 | 692 | 774 |
| Write-down of plant, equipment, intangibles, goodwill and other | 29,100 | 3,238 | 45,494 | 13,925 |
| Unrealized foreign exchange loss (gain) | 544 | (3,479) | 554 | (3,364) |
| Gain on lease modifications | (1,140) | - | (1,140) | - |
| Other expense (income) | 1,439 | (1,254) | (5,866) | (1,188) |
| | 16,308 | 9,843 | 45,574 | 287,069 |
| Cash generated from (used in) operating working capital: | | | | |
| Trade accounts receivable and other | 26,706 | 30,618 | 1,517 | 27,414 |
| Inventories | (5,450) | (2,846) | 22,632 | (33,821) |
| Prepayments | 2,639 | 225 | (4,443) | (3,035) |
| Trade accounts payable and provisions | (15,851) | (15,628) | (36,446) | (7,623) |
| Income taxes paid | 290 | (1,116) | (582) | (4,392) |
| | 24,642 | 21,096 | 28,252 | 265,612 |
| Investing activities: | | | | |
| Additions to property, plant and equipment | (31,864) | (50,307) | (158,645) | (106,440) |
| Additions to roads and bridges | (5,175) | (8,524) | (22,447) | (32,165) |
| Additions to timber licences and other intangible assets | - | (68) | (77) | (158) |
| Proceeds on disposal of property, plant and equipment, timber and other | 431 | 1,846 | 8,880 | 2,355 |
| Net proceeds from (additions to) marketable securities, deposits and other assets | 1,208 | 58,548 | 48,338 | (48,385) |
| | (35,400) | 1,495 | (123,951) | (184,793) |
| Financing activities: | | | | |
| Issuance of share capital, net of expenses | 85 | - | 165 | 143 |
| Share repurchases | - | (24,979) | (7,825) | (36,929) |
| Interest payments | (3,345) | (2,271) | (12,193) | (10,151) |
| Lease payments | (2,946) | (2,608) | (11,638) | (9,936) |
| Debt refinancing costs | (29) | (18) | (1,223) | (88) |
| Change in operating line components of long term debt | (1) | (1) | 4 | (2) |
| Additions to long term debt | - | - | 197,925 | 155,909 |
| Repayments of long term debt | - | - | (197,175) | (155,797) |
| | (6,236) | (29,877) | (31,960) | (56,851) |
| Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency | (292) | 7,885 | (3,593) | 10,584 |
| Increase (decrease) in cash | (17,286) | 599 | (131,252) | 34,552 |
| Cash and cash equivalents, beginning of period | 52,186 | 165,553 | 166,152 | 131,600 |
| Cash and cash equivalents, end of period | \$34,900 | \$166,152 | \$34,900 | \$166,152 |

Notes:

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



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

(thousands of Canadian Dollars)

| | Dec. 31, 2019 | Dec. 31, 2018 (restated) ¹ | Jan. 1, 2018 (restated) ¹ |
|---|--------------------|--|---|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$34,900 | \$166,152 | \$131,600 |
| Marketable securities | - | 42,863 | - |
| Trade accounts receivable and other | 86,608 | 90,384 | 112,470 |
| Income taxes receivable | 1,995 | 3,008 | 1,289 |
| Inventories | 181,577 | 209,178 | 165,156 |
| Prepayments | 20,449 | 16,833 | 12,186 |
| | 325,529 | 528,418 | 422,701 |
| Employee future benefits | 673 | 303 | 502 |
| Deposits and other assets | 9,296 | 16,842 | 6,404 |
| Right of use assets | 32,780 | 37,778 | 38,600 |
| Property, plant and equipment | 739,515 | 723,773 | 669,165 |
| Roads and bridges | 24,353 | 29,829 | 24,092 |
| Timber licences | 60,596 | 64,153 | 66,589 |
| Other intangible assets | 3,480 | 5,288 | 14,170 |
| Goodwill | 138,734 | 158,799 | 147,081 |
| Deferred income taxes | 6,961 | 133 | 253 |
| | \$1,341,917 | \$1,565,316 | \$1,389,557 |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities: | | | |
| Trade accounts payable and provisions | \$114,358 | \$154,869 | \$152,355 |
| Reforestation liability | 13,021 | 13,947 | 12,873 |
| Lease liabilities | 10,105 | 10,158 | 8,019 |
| Income taxes payable | 163 | 356 | 224 |
| | 137,647 | 179,330 | 173,471 |
| Reforestation liability | 27,401 | 28,235 | 27,535 |
| Lease liabilities | 27,718 | 33,954 | 36,165 |
| Long term debt | 259,760 | 272,840 | 250,900 |
| Employee future benefits | 11,843 | 8,687 | 8,249 |
| Provisions and other liabilities | 18,957 | 16,421 | 25,808 |
| Deferred income taxes | 27,609 | 57,083 | 17,877 |
| Equity: | | | |
| Share capital | 533,685 | 537,534 | 555,388 |
| Contributed surplus | 4,471 | 3,851 | 8,582 |
| Translation reserve | 56,759 | 84,393 | 40,733 |
| Retained earnings | 236,067 | 342,988 | 244,849 |
| | 830,982 | 968,766 | 849,552 |
| | \$1,341,917 | \$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 forest products company with operations in Canada and the United States. The Company has annual production capacity of approximately 3.0 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 2019 audited consolidated financial statements and Management's Discussion and Analysis are available at www.sedar.com and www.interfor.com.

There will be an analyst conference call on Friday, February 7, 2020 at 8:00 a.m. (Pacific Time) hosted by **INTERFOR CORPORATION** for the purpose of reviewing the Company's release of its fourth quarter and fiscal 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 March 7, 2020. The number to call is **1-855-859-2056, Passcode 1874063**.

For further information:

Martin L. Juravsky, Senior Vice President and Chief Financial Officer
(604) 689-6873