



## Interfor Corporation

Vancouver, B.C.

August 08, 2019

***Interfor Reports Q2'19 Results***  
***EBITDA<sup>1</sup> of \$13 million on Sales of \$481 million***  
***Net Debt to Invested Capital<sup>1</sup> of 18%; Liquidity of \$392 million***

**INTERFOR CORPORATION** ("Interfor" or the "Company") (TSX: IFP) Interfor recorded a net loss in Q2'19 of \$11.2 million, or \$0.17 per share, compared to a net loss of \$15.3 million, or \$0.23 per share in Q1'19 and net earnings of \$63.7 million, or \$0.91 per share in Q2'18. Adjusted net loss in Q2'19 was \$16.2 million compared to an Adjusted net loss of \$12.7 million in Q1'19 and Adjusted net earnings of \$68.9 million in Q2'18.

Adjusted EBITDA was \$12.6 million on sales of \$481.3 million in Q2'19 versus \$16.3 million on sales of \$451.2 million in Q1'19.

Notable items in the quarter included:

- Lower Lumber Prices
  - The key benchmark prices decreased quarter-over-sequential-quarter with the SYP Composite, Western SPF Composite and KD H-F Stud 2x4 9' falling by US\$23, US\$36 and US\$19 per mfbm, respectively. Interfor's average lumber selling price dropped \$10 from Q1'19 to \$603 per mfbm.
- Higher Shipments and Reduced Inventories
  - Total lumber production was 647 million board feet, consistent with the prior quarter. Production in the U.S. South increased slightly to 320 million board feet from 316 million board feet in the preceding quarter as capital project-related downtime at the Monticello sawmill was more than offset by higher operating rates at most mills in the region. The B.C. and U.S. Northwest regions accounted for 187 million board feet and 140 million board feet, respectively, compared to 195 million board feet and 135 million board feet in Q1'19. Production was influenced by the curtailments taken in the B.C. Interior in response to weak lumber prices and continuing high log costs.
  - Total lumber shipments were 674 million board feet, including agency and wholesale volumes, or 53 million board feet higher than Q1'19.
  - Lumber inventories at June 30, 2019 were 211 million board feet, down from 229 million board feet at March 31, 2019.
  - Interfor's operating costs were negatively impacted by an increase in its net realizable value provision for log and lumber inventories of \$10.3 million in Q2'19.
- Continued Strong Financial Position
  - Net debt ended the quarter at \$198.2 million, or 17.9% of invested capital, resulting in available liquidity of \$392.5 million.
  - The Company generated \$9.9 million of cash flow from operations before changes in working capital, or \$0.15 per share.

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

- Capital investments of \$64.6 million in Q2'19 included \$51.4 million primarily on U.S. South focused high-return discretionary projects, with the remainder related to maintenance capital and woodlands projects.
- On June 28, 2019, the Company received compensation of \$7.7 million from the Government of B.C. as settlement for the 2017 cancellation of two timber licences on the B.C. Coast, which is excluded from Adjusted EBITDA.
- Softwood Lumber Duties
  - Interfor expensed \$10.8 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\$76.5 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.

### **Strategic Capital Plan Update**

- Interfor continues to make progress on its 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 were completed before quarter-end and are now in the ramp-up phase. Total project costs are expected to be US\$70.1 million versus the original budget of US\$62.5 million. The spending overage was due to vendor delays, additional steel costs and labour issues with contractors. As of June 30, 2019, US\$67.7 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 2022. As of June 30, 2019, US\$32.0 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. 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 "Forestry Assets"), and assume certain liabilities relating to the Forestry Assets. The cash purchase price of \$60 million will be financed from Interfor's available cash balance and/or borrowings under its existing bank credit facility.

The transaction is subject to various consents, including that by the Government of B.C. and is targeted to close in the third quarter, 2019.

By acquiring the Forestry Assets, Interfor will solidify its long-term log supply at its Adams Lake sawmill, supporting the continuation of a two-shift operating configuration at the mill in the face of declining allowable annual cuts in the region. The Forestry Assets are located adjacent to Adams Lake's woodlands operations, with log production flowing logically to the sawmill from a transportation and logistics standpoint.

Upon closing the transaction, Interfor will pursue a follow-on, high return investment opportunity by adding a new dry kiln to support additional value-added processing at the Adams Lake mill.

### **Interfor Appoints New Director**

At its meeting today, the Interfor Board appointed Christopher Griffin of Chicago, Illinois as a director of the Company. Mr. Griffin, who is 57, is the President & CEO of USG Corporation, a global manufacturer of gypsum wallboard and other building products. Mr. Griffin's appointment increases the number of directors from ten to eleven and was made in line with the Company's Board succession plan.

## Financial and Operating Highlights<sup>1</sup>

| Unit  | For the 3 months ended |                         |                 | For the 6 months ended  |                 |         |
|---|------------------------|-------------------------|-----------------|-------------------------|-----------------|---------|
|   | Jun. 30<br>2019        | Jun. 30<br>2018         | Mar. 31<br>2019 | Jun. 30<br>2019         | Jun. 30<br>2018 |         |
|   |                        | (restated) <sup>2</sup> |                 | (restated) <sup>2</sup> |                 |         |
| <b>Financial Highlights<sup>3</sup></b>                                     |                        |                         |                 |                         |                 |         |
| Total sales   | \$MM                   | 481.3                   | 619.9           | 451.2                   | 932.5           | 1,147.5 |
| Lumber  | \$MM                   | 406.9                   | 527.0           | 380.5                   | 787.4           | 972.9   |
| Logs, residual products and other   | \$MM                   | 74.4                    | 92.9            | 70.7                    | 145.1           | 174.6   |
| Operating earnings (loss)   | \$MM                   | (18.2)                  | 86.4            | (16.8)                  | (35.0)          | 133.0   |
| Net earnings (loss)   | \$MM                   | (11.2)                  | 63.7            | (15.3)                  | (26.5)          | 96.4    |
| Net earnings (loss) per share, basic  | \$/share               | (0.17)                  | 0.91            | (0.23)                  | (0.39)          | 1.38    |
| Adjusted net earnings (loss) <sup>4</sup>                                   | \$MM                   | (16.2)                  | 68.9            | (12.7)                  | (28.9)          | 105.4   |
| Adjusted net earnings (loss) per share, basic <sup>4</sup>                  | \$/share               | (0.24)                  | 0.98            | (0.19)                  | (0.43)          | 1.50    |
| Operating cash flow per share (before working capital changes) <sup>4</sup> | \$/share               | 0.15                    | 1.80            | 0.25                    | 0.40            | 2.92    |
| Adjusted EBITDA <sup>4</sup>  | \$MM                   | 12.6                    | 126.7           | 16.3                    | 28.9            | 210.2   |
| Adjusted EBITDA margin <sup>4</sup>   | %                      | 2.6%                    | 20.4%           | 3.6%                    | 3.1%            | 18.3%   |
| <br>  |                        |                         |                 |                         |                 |         |
| Total assets  | \$MM                   | 1,459.8                 | 1,573.3         | 1,491.5                 | 1,459.8         | 1,573.3 |
| Total debt  | \$MM                   | 261.7                   | 263.4           | 267.3                   | 261.7           | 263.4   |
| Net debt <sup>4</sup>   | \$MM                   | 198.2                   | 34.4            | 172.7                   | 198.2           | 34.4    |
| Net debt to invested capital <sup>4</sup>                                   | %                      | 17.9%                   | 3.4%            | 15.6%                   | 17.9%           | 3.4%    |
| Annualized return on invested capital <sup>4</sup>                          | %                      | 4.6%                    | 49.9%           | 6.1%                    | 5.4%            | 42.6%   |
| <b>Operating Highlights</b>   |                        |                         |                 |                         |                 |         |
| Lumber production   | million fbm            | 647                     | 688             | 646                     | 1,293           | 1,354   |
| Total lumber sales  | million fbm            | 674                     | 700             | 621                     | 1,295           | 1,348   |
| Lumber sales - Interfor produced  | million fbm            | 664                     | 689             | 610                     | 1,274           | 1,324   |
| Lumber sales - wholesale and commission                                     | million fbm            | 10                      | 11              | 11                      | 21              | 24      |
| Lumber - average selling price <sup>5</sup>                                 | \$/thousand fbm        | 603                     | 753             | 613                     | 608             | 722     |
| <br>  |                        |                         |                 |                         |                 |         |
| Average USD/CAD exchange rate <sup>6</sup>                                  | 1 USD in CAD           | 1.3377                  | 1.2911          | 1.3295                  | 1.3336          | 1.2781  |
| Closing USD/CAD exchange rate <sup>6</sup>                                  | 1 USD in CAD           | 1.3087                  | 1.3168          | 1.3363                  | 1.3087          | 1.3168  |

### 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 June 30, 2019 was \$198.2 million, or 17.9% of invested capital, representing an increase of \$163.8 million from the level at June 30, 2018 and an increase of \$134.4 million from December 31, 2018. These increases primarily reflect funding of capital projects, share repurchases and short term incentive compensation payments.

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.

| Thousands of Dollars   | For the 3 months ended<br>Jun. 30, |           | For the 6 months ended<br>Jun. 30, |           |
|--|------------------------------------|-----------|------------------------------------|-----------|
|  | 2019                               | 2018      | 2019                               | 2018      |
| <b>Net debt</b>  |                                    |           |                                    |           |
| Net debt, period opening   | \$172,746                          | \$127,064 | \$63,825                           | \$119,300 |
| Net drawing (repayment) on credit facilities   | -                                  | -         | 750                                | (1)       |
| Impact on U.S. Dollar denominated debt from (strengthening) weakening CAD  | (5,520)                            | 5,480     | (11,850)                           | 12,461    |
| Decrease (increase) in cash and cash equivalents   | 30,028                             | (95,011)  | 98,918                             | (92,502)  |
| Decrease in marketable securities  | -                                  | -         | 41,766                             | -         |
| Impact on U.S. Dollar denominated cash and cash equivalents and marketable securities from strengthening (weakening) CAD | 955                                | (3,118)   | 4,800                              | (4,843)   |
| Net debt, period ending, CAD   | \$198,209                          | \$34,415  | \$198,209                          | \$34,415  |

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 June 30, 2019, the Company had net working capital of \$253.4 million and available liquidity of \$392.5 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 June 30, 2019:

| Thousands of Canadian Dollars                              | Revolving<br>Term<br>Line | Senior<br>Secured<br>Notes | Total     |
|--|---------------------------|----------------------------|-----------|
| Available line of credit                                   | \$350,000                 | \$261,740                  | \$611,740 |
| Maximum borrowing available                                | \$350,000                 | \$261,740                  | \$611,740 |
| Less:  |                           |                            |           |
| Drawings   | -                         | 261,740                    | 261,740   |
| Outstanding letters of credit included in line utilization | 21,053                    | -                          | 21,053    |
| Unused portion of facility                                 | \$328,947                 | \$-                        | 328,947   |
| Add:   |                           |                            |           |
| Cash and cash equivalents                                  |                           |                            | 63,531    |
| Available liquidity at June 30, 2019                       |                           |                            | \$392,478 |

As of June 30, 2019, the Company had commitments for capital expenditures totaling \$119.1 million for both maintenance and discretionary capital projects.

### **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 6 months ended |                         |
|---|------------------------|-------------------------|-----------------|------------------------|-------------------------|
|   | Jun. 30<br>2019        | Jun. 30<br>2018         | Mar. 31<br>2019 | Jun. 30<br>2019        | Jun. 30<br>2018         |
|   |                        | (restated) <sup>1</sup> |                 |                        | (restated) <sup>1</sup> |
| <b>Adjusted Net Earnings (Loss)</b>   |                        |                         |                 |                        |                         |
| Net earnings (loss)   | \$(11,159)             | \$63,732                | \$(15,302)      | \$(26,461)             | \$96,397                |
| Add:  |                        |                         |                 |                        |                         |
| Capital asset write-downs and restructuring costs                           | 87                     | 4,669                   | 1,665           | 1,752                  | 4,905                   |
| Other foreign exchange loss (gain)  | 321                    | (1,880)                 | (340)           | (19)                   | (1,991)                 |
| Long term incentive compensation expense (recovery)                         | (851)                  | 3,996                   | 1,983           | 1,132                  | 8,854                   |
| Other (income) expense  | (6,487)                | 80                      | 164             | (6,323)                | 258                     |
| Post closure wind-down costs and losses                                     | -                      | -                       | -               | -                      | 4                       |
| Income tax effect of above adjustments                                      | 1,866                  | (1,701)                 | (875)           | 991                    | (3,075)                 |
| Adjusted net earnings (loss)  | \$(16,223)             | \$68,896                | \$(12,705)      | \$(28,928)             | \$105,352               |
| Weighted average number of shares - basic ('000)                            | 67,252                 | 70,038                  | 67,348          | 67,300                 | 70,036                  |
| Adjusted net earnings (loss) per share                                      | \$(0.24)               | \$0.98                  | \$(0.19)        | \$(0.43)               | \$1.50                  |
| <b>Adjusted EBITDA</b>  |                        |                         |                 |                        |                         |
| Net earnings (loss)   | \$(11,159)             | \$63,732                | \$(15,302)      | \$(26,461)             | \$96,397                |
| Add:  |                        |                         |                 |                        |                         |
| Depreciation of plant and equipment   | 19,410                 | 20,781                  | 19,722          | 39,132                 | 40,802                  |
| Depletion and amortization of timber, roads and other                       | 12,201                 | 10,854                  | 9,737           | 21,938                 | 22,618                  |
| Capital asset write-downs and restructuring costs                           | 87                     | 4,669                   | 1,665           | 1,752                  | 4,905                   |
| Finance costs   | 3,324                  | 3,303                   | 4,176           | 7,500                  | 6,714                   |
| Other foreign exchange loss (gain)  | 321                    | (1,880)                 | (340)           | (19)                   | (1,991)                 |
| Income tax expense (recovery)   | (4,196)                | 21,150                  | (5,508)         | (9,704)                | 31,617                  |
| EBITDA  | 19,988                 | 122,609                 | 14,150          | 34,138                 | 201,062                 |
| Add:  |                        |                         |                 |                        |                         |
| Long term incentive compensation expense (recovery)                         | (851)                  | 3,996                   | 1,983           | 1,132                  | 8,854                   |
| Other (income) expense  | (6,487)                | 80                      | 164             | (6,323)                | 258                     |
| Post closure wind-down costs and losses                                     | -                      | -                       | -               | -                      | 4                       |
| Adjusted EBITDA   | \$12,650               | \$126,685               | \$16,297        | \$28,947               | \$210,178               |
| Sales   | \$481,345              | \$619,893               | 451,163         | \$932,508              | \$1,147,537             |
| <b>Adjusted EBITDA margin</b>   | 2.6%                   | 20.4%                   | 3.6%            | 3.1%                   | 18.3%                   |
| <b>Net debt to invested capital</b>   |                        |                         |                 |                        |                         |
| Net debt  |                        |                         |                 |                        |                         |
| Total debt  | \$261,740              | \$263,360               | \$267,260       | \$261,740              | \$263,360               |
| Cash and cash equivalents   | (63,531)               | (228,945)               | (94,514)        | (63,531)               | (228,945)               |
| Total net debt  | \$198,209              | \$34,415                | \$172,746       | \$198,209              | \$34,415                |
| Invested capital  |                        |                         |                 |                        |                         |
| Net debt  | \$198,209              | \$34,415                | \$172,746       | \$198,209              | \$34,415                |
| Shareholders' equity  | 911,409                | 972,281                 | 933,509         | 911,409                | 972,281                 |
| Total invested capital  | \$1,109,618            | \$1,006,696             | \$1,106,255     | \$1,109,618            | \$1,006,696             |
| Net debt to invested capital <sup>2</sup>                                   | 17.9%                  | 3.4%                    | 15.6%           | 17.9%                  | 3.4%                    |
| <b>Operating cash flow per share (before working capital changes)</b>       |                        |                         |                 |                        |                         |
| Cash (used in) provided by operating activities                             | \$32,302               | \$136,724               | \$(58,350)      | \$(26,048)             | \$157,797               |
| Cash used in (generated from) operating working capital                     | (22,443)               | (10,414)                | 75,435          | 52,992                 | 46,636                  |
| Operating cash flow (before working capital changes)                        | \$9,859                | \$126,310               | \$17,085        | \$26,944               | \$204,433               |
| Weighted average number of shares - basic ('000)                            | 67,252                 | 70,038                  | 67,348          | 67,300                 | 70,036                  |
| Operating cash flow per share (before working capital changes)              | \$0.15                 | \$1.80                  | \$0.25          | \$0.40                 | \$2.92                  |
| <b>Annualized return on invested capital</b>                                |                        |                         |                 |                        |                         |
| Adjusted EBITDA   | \$12,650               | \$126,685               | \$16,297        | \$28,947               | \$210,178               |
| Invested capital, beginning of period                                       | \$1,106,255            | \$1,023,279             | \$1,032,591     | \$1,032,591            | \$968,852               |
| Invested capital, end of period   | 1,109,618              | 1,006,696               | 1,106,255       | 1,109,618              | 1,006,696               |
| Average invested capital  | \$1,107,937            | \$1,014,988             | \$1,069,423     | \$1,071,105            | \$987,774               |
| Adjusted EBITDA divided by average invested capital                         | 1.1%                   | 12.5%                   | 1.5%            | 2.7%                   | 21.3%                   |
| Annualization factor  | 4.0                    | 4.0                     | 4.0             | 2.0                    | 2.0                     |
| Annualized return on invested capital                                       | 4.6%                   | 49.9%                   | 6.1%            | 5.4%                   | 42.6%                   |

Notes:

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



**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)**  
**For the three and six months ended June 30, 2019 and 2018 (unaudited)**

| (thousands of Canadian Dollars except earnings per share)   | Three Months<br>Jun. 30, 2019 | Three Months<br>Jun. 30, 2018<br>(restated) <sup>1</sup> | Six Months<br>Jun. 30, 2019 | Six Months<br>Jun. 30, 2018<br>(restated) <sup>1</sup> |
|---|-------------------------------|--|-----------------------------|--|
| <b>Sales</b>  | \$481,345                     | \$619,893  | \$932,508                   | \$1,147,537  |
| <b>Costs and expenses:</b>                                  |                               |  |                             |  |
| Production  | 448,043                       | 464,675  | 861,226                     | 882,072  |
| Selling and administration                                  | 9,808                         | 13,706   | 20,373                      | 27,535   |
| Long term incentive compensation expense (recovery)         | (851)                         | 3,996  | 1,132                       | 8,854  |
| U.S. countervailing and anti-dumping duty deposits          | 10,844                        | 14,827   | 21,962                      | 27,756   |
| Depreciation of plant and equipment                         | 19,410                        | 20,781   | 39,132                      | 40,802   |
| Depletion and amortization of timber, roads and other       | 12,201                        | 10,854   | 21,938                      | 22,618   |
|   | 499,455                       | 528,839  | 965,763                     | 1,009,637  |
| <b>Operating earnings (loss) before restructuring costs</b> | <b>(18,110)</b>               | <b>91,054</b>  | <b>(33,255)</b>             | <b>137,900</b>   |
| Capital asset write-downs and restructuring costs           | 87                            | 4,669  | 1,752                       | 4,905  |
| <b>Operating earnings (loss)</b>                            | <b>(18,197)</b>               | <b>86,385</b>  | <b>(35,007)</b>             | <b>132,995</b>   |
| Finance costs   | (3,324)                       | (3,303)  | (7,500)                     | (6,714)  |
| Other foreign exchange gain (loss)                          | (321)                         | 1,880  | 19                          | 1,991  |
| Other income (expense)                                      | 6,487                         | (80)   | 6,323                       | (258)  |
|   | 2,842                         | (1,503)  | (1,158)                     | (4,981)  |
| <b>Earnings (loss) before income taxes</b>                  | <b>(15,355)</b>               | <b>84,882</b>  | <b>(36,165)</b>             | <b>128,014</b>   |
| Income tax expense (recovery):                              |                               |  |                             |  |
| Current   | 233                           | 1,567  | 393                         | 2,337  |
| Deferred  | (4,429)                       | 19,583   | (10,097)                    | 29,280   |
|   | (4,196)                       | 21,150   | (9,704)                     | 31,617   |
| <b>Net earnings (loss)</b>                                  | <b>\$(11,159)</b>             | <b>\$63,732</b>  | <b>\$(26,461)</b>           | <b>\$96,397</b>  |
| <b>Net earnings (loss) per share</b>                        |                               |  |                             |  |
| Basic   | \$(0.17)                      | \$0.91   | \$(0.39)                    | \$1.38   |
| Diluted   | \$(0.17)                      | \$0.91   | \$(0.39)                    | \$1.37   |

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the three and six months ended June 30, 2019 and 2018 (unaudited)**

| (thousands of Canadian Dollars)   | Three Months<br>Jun. 30, 2019 | Three Months<br>Jun. 30, 2018<br>(restated) <sup>1</sup> | Six Months<br>Jun. 30, 2019 | Six Months<br>Jun. 30, 2018<br>(restated) <sup>1</sup> |
|---|-------------------------------|--|-----------------------------|--|
| <b>Net earnings (loss)</b>  | <b>\$(11,159)</b>             | <b>\$63,732</b>  | <b>\$(26,461)</b>           | <b>\$96,397</b>  |
| <b>Other comprehensive income (loss):</b>                                   |                               |  |                             |  |
| <b>Items that will not be recycled to Net earnings (loss):</b>              |                               |  |                             |  |
| Defined benefit plan actuarial gain (loss), net of tax                      | (439)                         | 1,004  | 133                         | 1,889  |
| <b>Items that are or may be recycled to Net earnings (loss):</b>            |                               |  |                             |  |
| Foreign currency translation differences for foreign operations, net of tax | (10,728)                      | 11,121   | (23,601)                    | 23,954   |
| <b>Total other comprehensive income (loss), net of tax</b>                  | <b>(11,167)</b>               | <b>12,125</b>  | <b>(23,468)</b>             | <b>25,843</b>  |
| <b>Comprehensive income (loss)</b>  | <b>\$(22,326)</b>             | <b>\$75,857</b>  | <b>\$(49,929)</b>           | <b>\$122,240</b>                                       |

Notes:

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



**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the three and six months ended June 30, 2019 and 2018 (unaudited)**

(thousands of Canadian Dollars)

|   | Three Months<br>Jun. 30, 2019 | Three Months<br>Jun. 30, 2018<br>(restated) <sup>1</sup> | Six Months<br>Jun. 30, 2019 | Six Months<br>Jun. 30, 2018<br>(restated) <sup>1</sup> |
|---|-------------------------------|--|-----------------------------|--|
| <b>Cash provided by (used in):</b>  |                               |  |                             |  |
| <b>Operating activities:</b>  |                               |  |                             |  |
| <b>Net earnings (loss)</b>  | \$(11,159)                    | \$63,732   | \$(26,461)                  | \$96,397   |
| <b>Items not involving cash:</b>  |                               |  |                             |  |
| Depreciation of plant and equipment   | 19,410                        | 20,781   | 39,132                      | 40,802   |
| Depletion and amortization of timber, roads and other                                       | 12,201                        | 10,854   | 21,938                      | 22,618   |
| Income tax expense (recovery)   | (4,196)                       | 21,150   | (9,704)                     | 31,617   |
| Finance costs   | 3,324                         | 3,303  | 7,500                       | 6,714  |
| Other assets  | 304                           | (122)  | 321                         | (417)  |
| Reforestation liability   | (3,250)                       | (862)  | (743)                       | 1,427  |
| Provisions and other liabilities  | (801)                         | 2,496  | (1,004)                     | (320)  |
| Stock options   | 209                           | 209  | 317                         | 346  |
| Write-down of plant, equipment and intangibles  | 88                            | 4,645  | 1,811                       | 4,864  |
| Unrealized foreign exchange loss  | 216                           | 44   | 160                         | 127  |
| Other expense (income)  | (6,487)                       | 80   | (6,323)                     | 258  |
|   | 9,859                         | 126,310  | 26,944                      | 204,433  |
| <b>Cash generated from (used in) operating working capital:</b>                             |                               |  |                             |  |
| Trade accounts receivable and other   | (5,873)                       | (13,222)   | (20,448)                    | (23,970)   |
| Inventories   | 17,605                        | 2,111  | (9,565)                     | (31,926)   |
| Prepayments   | (2,873)                       | 1,597  | (5,742)                     | (2,658)  |
| Trade accounts payable and provisions   | 13,862                        | 21,079   | (16,662)                    | 13,240   |
| Income taxes paid   | (278)                         | (1,151)  | (575)                       | (1,322)  |
|   | 32,302                        | 136,724  | (26,048)                    | 157,797  |
| <b>Investing activities:</b>  |                               |  |                             |  |
| Additions to property, plant and equipment  | (58,904)                      | (15,126)   | (94,830)                    | (27,165)   |
| Additions to roads and bridges  | (5,661)                       | (8,086)  | (13,505)                    | (14,168)   |
| Additions to timber licences and other intangible assets                                    | (20)                          | (63)   | (72)                        | (50)   |
| Proceeds on disposal of property, plant and equipment and other                             | 8,032                         | 76   | 8,140                       | 185  |
| Net proceeds from (additions to) marketable securities,<br>deposits and other assets        | (11)                          | (13,077)   | 46,760                      | (13,579)   |
|   | (56,564)                      | (36,276)   | (53,507)                    | (54,777)   |
| <b>Financing activities:</b>  |                               |  |                             |  |
| Issuance of share capital, net of expenses  | 17                            | -  | 80                          | 143  |
| Share repurchases   | -                             | -  | (7,825)                     | -  |
| Interest payments   | (2,837)                       | (2,799)  | (5,417)                     | (5,832)  |
| Lease liability payments  | (2,779)                       | (2,636)  | (5,765)                     | (4,825)  |
| Debt refinancing costs  | (172)                         | (2)  | (1,191)                     | (3)  |
| Change in operating line components of long-term debt                                       | 5                             | -  | 5                           | (1)  |
| Additions to long term debt   | -                             | -  | 197,925                     | -  |
| Repayments of long term debt  | -                             | -  | (197,175)                   | -  |
|   | (5,766)                       | (5,437)  | (19,363)                    | (10,518)   |
| <b>Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency</b> |                               |  |                             |  |
|   | (955)                         | 3,118  | (3,703)                     | 4,843  |
| <b>Increase (decrease) in cash</b>  | <b>(30,983)</b>               | <b>98,129</b>  | <b>(102,621)</b>            | <b>97,345</b>  |
| <b>Cash and cash equivalents, beginning of period</b>                                       | <b>94,514</b>                 | <b>130,816</b>   | <b>166,152</b>              | <b>131,600</b>   |
| <b>Cash and cash equivalents, end of period</b>   | <b>\$63,531</b>               | <b>\$228,945</b>   | <b>\$63,531</b>             | <b>\$228,945</b>                                       |

Notes:

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



**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2019, December 31, 2018 and January 1, 2018 (unaudited)**

(thousands of Canadian Dollars)

|   | Jun. 30, 2019      | Dec. 31, 2018<br>(restated) <sup>1</sup> | Jan. 1, 2018<br>(restated) <sup>1</sup> |
|---|--------------------|--|---|
| <b>Assets</b>                               |                    |  |   |
| <b>Current assets:</b>                      |                    |  |   |
| Cash and cash equivalents                   | \$63,531           | \$166,152                                | \$131,600                               |
| Marketable securities                       | -                  | 42,863                                   | -                                       |
| Trade accounts receivable and other         | 108,066            | 90,384                                   | 112,470                                 |
| Income taxes receivable                     | 3,013              | 3,008                                    | 1,289                                   |
| Inventories                                 | 213,435            | 209,178                                  | 165,156                                 |
| Prepayments                                 | 21,673             | 16,833                                   | 12,186                                  |
|   | <b>409,718</b>     | <b>528,418</b>                           | <b>422,701</b>                          |
| <b>Employee future benefits</b>             | <b>820</b>         | <b>303</b>                               | <b>502</b>                              |
| <b>Deposits and other assets</b>            | <b>10,685</b>      | <b>16,842</b>                            | <b>6,404</b>                            |
| <b>Right of use assets</b>                  | <b>36,760</b>      | <b>37,778</b>                            | <b>38,600</b>                           |
| <b>Property, plant and equipment</b>        | <b>752,194</b>     | <b>723,773</b>                           | <b>669,165</b>                          |
| <b>Roads and bridges</b>                    | <b>30,154</b>      | <b>29,829</b>                            | <b>24,092</b>                           |
| <b>Timber licences</b>                      | <b>61,851</b>      | <b>64,153</b>                            | <b>66,589</b>                           |
| <b>Other intangible assets</b>              | <b>4,047</b>       | <b>5,288</b>                             | <b>14,170</b>                           |
| <b>Goodwill</b>                             | <b>152,870</b>     | <b>158,799</b>                           | <b>147,081</b>                          |
| <b>Deferred income taxes</b>                | <b>704</b>         | <b>133</b>                               | <b>253</b>                              |
|   | <b>\$1,459,803</b> | <b>\$1,565,316</b>                       | <b>\$1,389,557</b>                      |
| <b>Liabilities and Shareholders' Equity</b> |                    |  |   |
| <b>Current liabilities:</b>                 |                    |  |   |
| Trade accounts payable and provisions       | \$130,983          | \$154,869                                | \$152,355                               |
| Reforestation liability                     | 14,580             | 13,947                                   | 12,873                                  |
| Lease liabilities                           | 10,501             | 10,158                                   | 8,019                                   |
| Income taxes payable                        | 292                | 356                                      | 224                                     |
|   | <b>156,356</b>     | <b>179,330</b>                           | <b>173,471</b>                          |
| <b>Reforestation liability</b>              | <b>27,755</b>      | <b>28,235</b>                            | <b>27,535</b>                           |
| <b>Lease liabilities</b>                    | <b>32,268</b>      | <b>33,954</b>                            | <b>36,165</b>                           |
| <b>Long term debt</b>                       | <b>261,740</b>     | <b>272,840</b>                           | <b>250,900</b>                          |
| <b>Employee future benefits</b>             | <b>8,988</b>       | <b>8,687</b>                             | <b>8,249</b>                            |
| <b>Provisions and other liabilities</b>     | <b>15,698</b>      | <b>16,421</b>                            | <b>25,808</b>                           |
| <b>Deferred income taxes</b>                | <b>45,589</b>      | <b>57,083</b>                            | <b>17,877</b>                           |
| <b>Equity:</b>                              |                    |  |   |
| Share capital                               | 533,563            | 537,534                                  | 555,388                                 |
| Contributed surplus                         | 4,133              | 3,851                                    | 8,582                                   |
| Translation reserve                         | 60,792             | 84,393                                   | 40,733                                  |
| Retained earnings                           | 312,921            | 342,988                                  | 244,849                                 |
|   | <b>911,409</b>     | <b>968,766</b>                           | <b>849,552</b>                          |
|   | <b>\$1,459,803</b> | <b>\$1,565,316</b>                       | <b>\$1,389,557</b>                      |

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](http://www.interfor.com) and under Interfor's profile on [www.sedar.com](http://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](http://www.interfor.com).

The Company's unaudited consolidated financial statements and Management's Discussion and Analysis for Q2'19 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, August 9, 2019 at 8:00 a.m. (Pacific Time) hosted by **INTERFOR CORPORATION** for the purpose of reviewing the Company's release of its second 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 September 7, 2019. The number to call is **1-855-859-2056, Passcode 7768927**.

For further information:

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(604) 689-6873