



Interfor Corporation

Vancouver, B.C.

May 3, 2018

Interfor Reports Q1'18 Results
EBITDA⁽¹⁾ of \$81.1 million on Sales of \$527.6 million
Operating Cash Flow⁽¹⁾ of \$1.08 per share
32 % Return on Invested Capital

INTERFOR CORPORATION ("Interfor" or the "Company") (TSX: IFP) recorded net earnings in Q1'18 of \$33.0 million, or \$0.47 per share, compared to \$36.2 million, or \$0.52 per share in Q4'17 and \$19.7 million, or \$0.28 per share in Q1'17. Adjusted net earnings in Q1'18 were \$36.8 million or \$0.52 per share, compared to \$45.1 million, or \$0.64 per share in Q4'17 and \$22.7 million, or \$0.32 per share in Q1'17.

Adjusted EBITDA was \$81.1 million on sales of \$527.6 million in Q1'18 versus \$89.5 million on sales of \$532.8 million in Q4'17.

Notable items in the quarter included:

- Higher Lumber Prices
 - The key benchmark prices improved quarter-over-quarter with the SYP Composite, Western SPF Composite and KD H-F Stud 2x4 9' increasing by US\$37, US\$33 and US\$63 per mfbm, respectively. Interfor's average lumber selling price increased \$38 from Q4'17 to a record \$688 per mfbm.
- Increased Production/Reduced Shipments
 - Total lumber production was 666 million board feet or 11 million board feet more than the prior quarter. Production in the U.S. South region increased to 302 million board feet from 296 million board feet in the preceding quarter. The B.C. and U.S. Northwest regions accounted for 218 million board feet and 146 million board feet, respectively, compared to 219 million board feet and 140 million board feet in Q4'17, respectively.
 - Total lumber shipments were 648 million board feet, including agency and wholesale volumes, or 38 million board feet lower than Q4'17. This reduction was the result of industry-wide logistics issues, particularly due to weather-impacted rail constraints in B.C.
- Continued Financial Flexibility
 - Net debt ended the quarter at \$127.1 million, or 12.4% of invested capital, resulting in available liquidity of \$444.6 million.
 - Interfor generated \$75.5 million of cash from operations before changes in working capital, or \$1.08 per share. Total cash generated from operations was \$18.5 million after considering an increase in working capital, including a \$34.0 million increase in inventories, a \$10.9 million increase in accounts receivable due primarily to higher lumber prices, and the payment of annual employee incentive compensation.
 - Capital spending was \$18.1 million on a mix of high-return discretionary, maintenance and woodlands projects.

⁽¹⁾ Refer to Adjusted EBITDA and Operating cash flow per share in the Non-GAAP Measures section

- Softwood Lumber Duties
 - Interfor expensed \$12.9 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 mandated final rate of 20.23%.

Strategic Capital Plan

- Interfor continues to make progress on its multi-year strategic capital plan that involves a number of discretionary projects designed to capture the opportunities within its current operating platform and to pursue opportunities for further growth.
- The previously announced projects at the Company’s Meldrim and Monticello sawmills are on track for completion in Q1’19.
- The Company completed the installation of an autograding system at its Perry, Georgia sawmill in Q1’18.
- Other large capital projects to enhance existing operations are continuing to be advanced from an engineering and feasibility standpoint. In particular, the Company is refining plans for a series of substantial capital investment opportunities at three of its U.S. South sawmills. It is expected that these projects could be completed between 2019 and 2021. These projects will be subject to Board approval in the normal course.
- The greenfield sawmill opportunity in the Central Region of the U.S. South is in the final stages of assessment with a decision on the project expected by mid-2018.

Financial and Operating Highlights ⁽¹⁾

		For the three months ended		
		Mar. 31	Mar. 31	Dec. 31
	Unit	2018	2017	2017
Financial Highlights⁽²⁾				
Total sales	\$MM	527.6	456.8	532.8
Lumber	\$MM	445.9	389.6	446.0
Logs, residual products and other	\$MM	81.7	67.2	86.8
Operating earnings	\$MM	46.5	30.4	47.9
Net earnings	\$MM	33.0	19.7	36.2
Net earnings per share, basic	\$/share	0.47	0.28	0.52
Adjusted net earnings ⁽³⁾	\$MM	36.8	22.7	45.1
Adjusted net earnings per share, basic ⁽³⁾	\$/share	0.52	0.32	0.64
Operating cash flow per share (before working capital changes) ⁽³⁾	\$/share	1.08	0.85	1.19
Adjusted EBITDA ⁽³⁾	\$MM	81.1	60.3	89.5
Adjusted EBITDA margin ⁽³⁾	%	15.4%	13.2%	16.8%
Total assets	\$MM	1,410.1	1,318.8	1,353.0
Total debt	\$MM	257.9	325.4	250.9
Net debt to invested capital ⁽³⁾	%	12.4%	27.6%	12.3%
Return on invested capital ⁽³⁾	%	32.4%	22.0%	36.4%
Operating Highlights				
Lumber production	million fbm	666	640	655
Total lumber sales	million fbm	648	645	686
Lumber sales - Interfor produced	million fbm	635	624	666
Lumber sales - wholesale and commission	million fbm	13	21	20
Lumber - average selling price ⁽⁴⁾	\$/thousand fbm	688	604	650
Average USD/CAD exchange rate ⁽⁵⁾	1 USD in CAD	1.2647	1.3238	1.2713
Closing USD/CAD exchange rate ⁽⁵⁾	1 USD in CAD	1.2894	1.3322	1.2545

Notes:

- (1) Figures in this table may not equal or sum to figures presented elsewhere due to rounding.
- (2) Financial information presented for interim periods in this release is prepared in accordance with IFRS and is unaudited.
- (3) 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.
- (4) Gross sales before duties.
- (5) Based on Bank of Canada foreign exchange rates.

Liquidity

Balance Sheet

Interfor maintained a strong financial position throughout Q1'18. Net debt at March 31, 2018 was \$127.1 million, or 12.4% of invested capital, representing a decrease of \$179.6 million from March 31, 2017, and an increase of \$7.8 million from December 31, 2017. The majority of the increase in net debt in Q1'18 is as a result of the weakened Canadian Dollar against the U.S. Dollar as all debt held was denominated in U.S. Dollars.

Thousands of Dollars	For the three months ended		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Net debt			
Net debt, period opening, CAD	\$119,300	\$177,787	\$289,551
Net drawing (repayment) on credit facilities, CAD	(1)	(1)	19,250
Impact on U.S. Dollar denominated debt from (strengthening) weakening CAD	6,981	1,301	(2,704)
Increase in cash and cash equivalents, CAD	784	(59,787)	579
Net debt, period ending, CAD	<u>\$127,064</u>	<u>\$119,300</u>	<u>\$306,676</u>
Net debt components by currency			
U.S. Dollar debt, period opening, USD	\$200,000	\$200,000	\$230,000
Net repayment on credit facilities, USD	-	-	5,979
U.S. Dollar debt, period ending, USD	<u>200,000</u>	<u>200,000</u>	<u>235,979</u>
Spot rate, period end	1.2894	1.2545	1.3322
U.S. Dollar debt expressed in CAD	257,880	250,900	314,371
Canadian Dollar debt, CAD	-	-	4,987
Canadian Dollar operating line, CAD	-	-	6,009
Total debt, CAD	<u>257,880</u>	<u>250,900</u>	<u>325,367</u>
Cash and cash equivalents, CAD	<u>(130,816)</u>	<u>(131,600)</u>	<u>(18,691)</u>
Net debt, period ending, CAD	<u>\$127,064</u>	<u>\$119,300</u>	<u>\$306,676</u>

As at March 31, 2018, the Company had net working capital of \$316.0 million and available liquidity of \$444.6 million, including cash and borrowing capacity on operating and term line facilities.

These resources, in addition to cash generated from operations, will be used to support capital expenditures, working capital requirements, and debt servicing commitments. 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 March 31, 2018:

Thousands of Canadian Dollars	Operating Line	Revolving Term Line	Senior Secured Notes	U.S. Operating Line	Total
Available line of credit	\$65,000	\$200,000	\$257,880	\$64,470	\$587,350
Maximum borrowing available	\$65,000	\$200,000	\$257,880	\$64,470	\$587,350
Less:					
Drawings	-	-	257,880	-	257,880
Outstanding letters of credit included in line utilization	12,168	-	-	3,172	15,340
Unused portion of facility	<u>\$52,832</u>	<u>\$200,000</u>	<u>\$-</u>	<u>\$61,298</u>	<u>314,130</u>
Add: Unrestricted cash and cash equivalents					130,453
Available liquidity at March 31, 2018					<u>\$444,583</u>

As of March 31, 2018, the Company had commitments for capital expenditures totaling \$29.5 million.

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, Operating cash flow per share (before working capital changes) and Return on invested capital which are used by the Company and certain investors to evaluate operating performance and financial position. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

The following table provides a reconciliation of these non-GAAP measures to figures as reported in the Company's unaudited interim consolidated financial statements prepared in accordance with IFRS:

	For the three months ended		
	Mar. 31, 2018	Mar. 31, 2017	Dec. 31, 2017
Thousands of Canadian Dollars except number of shares and per share amounts			
Adjusted Net Earnings			
Net earnings	\$32,976	\$19,667	\$36,196
Add:			
Restructuring costs and capital asset write-downs	236	345	7,422
Other foreign exchange loss (gain)	(111)	181	(412)
Long term incentive compensation expense	4,858	3,593	3,110
Other expense	178	189	995
Post closure wind-down costs and losses	4	8	5
Income tax effect of above adjustments	(1,374)	(1,249)	(2,260)
Adjusted net earnings	\$36,767	\$22,734	\$45,056
Weighted average number of shares - basic ('000)	70,033	70,030	70,030
Adjusted net earnings per share	\$0.52	\$0.32	\$0.64
Adjusted EBITDA			
Net earnings	\$32,976	\$19,667	\$36,196
Add:			
Depreciation of plant and equipment	20,068	19,603	19,217
Depletion and amortization of timber, roads and other	9,417	6,297	11,879
Restructuring costs and capital asset write-downs	236	345	7,422
Finance costs	2,905	4,062	3,139
Other foreign exchange loss (gain)	(111)	181	(412)
Income tax expense	10,533	6,320	7,968
EBITDA	76,024	56,475	85,409
Add:			
Long term incentive compensation expense	4,858	3,593	3,110
Other expense	178	189	995
Post closure wind-down costs and losses	4	8	5
Adjusted EBITDA	\$81,064	\$60,265	\$89,519
Net debt to invested capital			
Net debt			
Total debt	\$257,880	\$325,367	\$250,900
Cash and cash equivalents	(130,816)	(18,691)	(131,600)
Total net debt	\$127,064	\$306,676	\$119,300
Invested capital			
Net debt	\$127,064	\$306,676	\$119,300
Shareholders' equity	901,176	804,748	854,188
Total invested capital	\$1,028,240	\$1,111,424	\$973,488
Net debt to invested capital ⁽¹⁾	12.4%	27.6%	12.3%
Operating cash flow per share (before working capital changes)			
Cash provided by operating activities	\$18,511	\$4,682	\$86,749
Cash used in (generated from) operating working capital	56,973	55,033	(3,332)
Operating cash flow (before working capital changes)	\$75,484	\$59,715	\$83,417
Weighted average number of shares - basic ('000)	70,033	70,030	70,030
Operating cash flow per share (before working capital changes)	\$1.08	\$0.85	\$1.19
Return on invested capital			
Adjusted EBITDA	\$81,064	\$60,265	\$89,519
Invested capital, beginning of period	\$973,488	\$1,076,218	\$995,463
Invested capital, end of period	1,028,240	1,111,424	973,488
Average invested capital	\$1,000,864	\$1,093,821	\$984,476
Adjusted EBITDA divided by average invested capital	8.1%	5.5%	9.1%
Annualization factor	4.0	4.0	4.0
Return on invested capital	32.4%	22.0%	36.4%

Notes:

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



CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the three months ended March 31, 2018 and 2017 (unaudited)

(thousands of Canadian Dollars except earnings per share)

	Three Months Mar. 31, 2018	Three Months Mar. 31, 2017
Sales	\$527,644	\$456,780
Costs and expenses:		
Production	419,582	384,077
Selling and administration	14,073	12,446
Long term incentive compensation	4,858	3,593
U.S. countervailing and anti-dumping duty deposits	12,929	-
Depreciation of plant and equipment	20,068	19,603
Depletion and amortization of timber, roads and other	9,417	6,297
	480,927	426,016
Operating earnings before restructuring costs	46,717	30,764
Restructuring costs	236	345
Operating earnings	46,481	30,419
Finance costs	(2,905)	(4,062)
Other foreign exchange gain (loss)	111	(181)
Other expense	(178)	(189)
	(2,972)	(4,432)
Earnings before income taxes	43,509	25,987
Income tax expense:		
Current	770	306
Deferred	9,763	6,014
	10,533	6,320
Net earnings	\$32,976	\$19,667
Net earnings per share, basic and diluted	\$0.47	\$0.28

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended March 31, 2018 and 2017 (unaudited)

(thousands of Canadian Dollars)

	Three Months Mar. 31, 2018	Three Months Mar. 31, 2017
Net earnings	\$32,976	\$19,667
Other comprehensive income (loss):		
Items that will not be recycled to Net earnings:		
Defined benefit plan actuarial gain, net of tax	885	824
Items that are or may be recycled to Net earnings:		
Foreign currency translation differences for foreign operations, net of tax	12,847	(2,505)
Loss in fair value of interest rate swaps	-	(11)
Total items that are or may be recycled to Net earnings	12,847	(2,516)
Total other comprehensive income (loss), net of tax	13,732	(1,692)
Comprehensive income	\$46,708	\$17,975



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2018 and 2017 (unaudited)

(thousands of Canadian Dollars)

	Three Months Mar. 31, 2018	Three Months Mar. 31, 2017
Cash provided by (used in):		
Operating activities:		
Net earnings	\$32,976	\$19,667
Items not involving cash:		
Depreciation of plant and equipment	20,068	19,603
Depletion and amortization of timber, roads and other	9,417	6,297
Income tax expense	10,533	6,320
Finance costs	2,905	4,062
Other assets	(295)	(49)
Reforestation liability	2,289	2,543
Provisions and other liabilities	(2,842)	815
Stock options	137	106
Write-down of intangibles	219	-
Unrealized foreign exchange gains and other	(101)	(8)
Other expense	178	359
	75,484	59,715
Cash used in operating working capital:		
Trade accounts receivable and other	(10,896)	(15,568)
Inventories	(34,037)	(15,240)
Prepayments and other	(4,325)	(2,784)
Trade accounts payable and accrued liabilities	(7,544)	(21,150)
Income taxes paid	(171)	(291)
	18,511	4,682
Investing activities:		
Additions to property, plant and equipment	(12,039)	(12,743)
Additions to roads and bridges	(6,082)	(7,102)
Additions to timber and other intangible assets	13	(834)
Proceeds (costs) on disposal of property, plant and equipment	109	(25)
Investments and other assets	(486)	(117)
	(18,485)	(20,821)
Financing activities:		
Issuance of share capital, net of expenses	143	-
Interest payments	(2,676)	(3,542)
Debt refinancing costs	(1)	(128)
Change in operating line components of long-term debt	(1)	40,853
Additions to long term debt	-	76,107
Repayments of long term debt	-	(97,710)
	(2,535)	15,580
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	1,725	(20)
Decrease in cash and cash equivalents	(784)	(579)
Cash and cash equivalents, beginning of period	131,600	19,270
Cash and cash equivalents, end of period	\$130,816	\$18,691



CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

March 31, 2018 and December 31, 2017 (unaudited)

(thousands of Canadian Dollars)

	Mar. 31, 2018	Dec. 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$130,816	\$131,600
Trade accounts receivable and other	124,310	112,470
Income taxes receivable	917	1,289
Inventories	201,070	165,156
Prepayments and other	17,193	12,562
	474,306	423,077
Employee future benefits	1,577	502
Investments and other assets	7,032	6,404
Property, plant and equipment	673,912	670,830
Roads and bridges	23,141	24,092
Timber licences	65,968	66,589
Other intangible assets	12,362	14,170
Goodwill	150,809	147,081
Deferred income taxes	976	251
	\$1,410,083	\$1,352,996
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable and provisions	\$144,455	\$152,854
Reforestation liability	13,526	12,873
Income taxes payable	341	224
	158,322	165,951
Reforestation liability	29,965	27,535
Long term debt	257,880	250,900
Employee future benefits	8,234	8,249
Provisions and other liabilities	24,122	26,976
Deferred income taxes	30,384	19,197
Equity:		
Share capital	555,602	555,388
Contributed surplus	8,648	8,582
Translation reserve	53,567	40,720
Retained earnings	283,359	249,498
	901,176	854,188
	\$1,410,083	\$1,352,996

Approved on behalf of the Board:

"L. Sauder"
Director

"D.W.G. Whitehead"
Director

FORWARD-LOOKING STATEMENTS

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

ABOUT INTERFOR

Interfor is a growth-oriented lumber company with operations in Canada and the United States. The Company has annual production capacity of approximately 3.1 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 Q1’18 are available at www.sedar.com and www.interfor.com.

There will be a conference call on Friday, May 4, 2018 at 8:00 a.m. (Pacific Time) hosted by **INTERFOR CORPORATION** for the purpose of reviewing the Company’s release of its first quarter 2018 financial results.

The dial-in number is **1-866-559-8291**. The conference call will also be recorded for those unable to join in for the live discussion, and will be available until June 3, 2018. The number to call is **1-855-859-2056, Passcode 9897303**.

For further information:

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