



**FOURTH QUARTER**

**2018 CONFERENCE CALL**

**RESULTS FROM OPERATIONS**

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# FORWARD LOOKING INFORMATION - DISCLAIMER

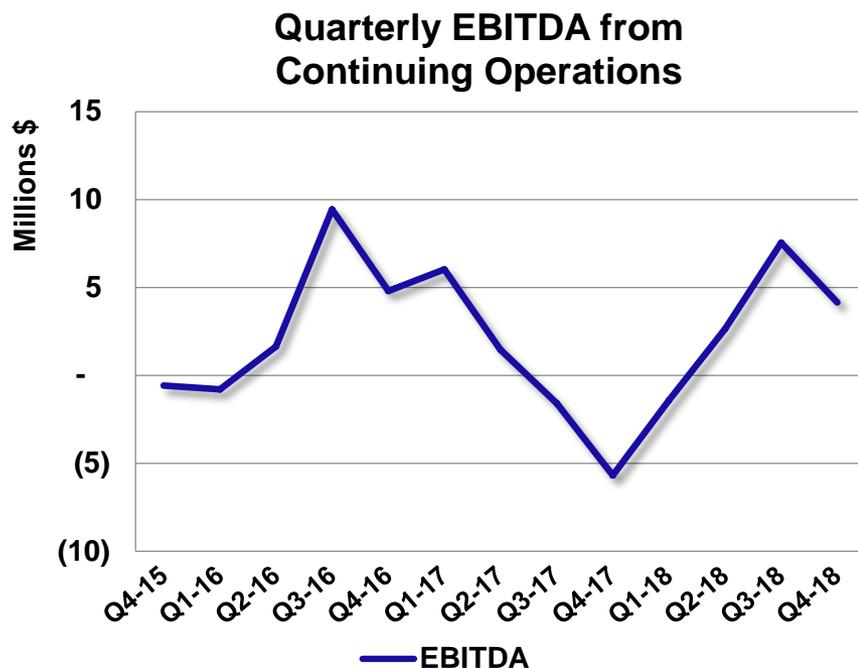
This presentation contains certain forward-looking information that reflects the Company's current views and/or expectations with respect to: expectations relating to the markets the Company operates in; the impact of currency exchange rates and other market factors on the results of the Company's mills; and expectations relating to capital expenditure spending. Persons reading this presentation are cautioned that statements comprising forward-looking information are only predictions, and that the Company's actual future results or performance are subject to certain risks and uncertainties including, without limitation: those relating to potential disruptions to production and delivery, including as a result of equipment failures, labour issues, the complex integration of processes and equipment and other factors; fluctuations in the market price for products sold; trade restrictions or import duties imposed by foreign governments; labour relations; failure to meet regulatory requirements; changes in the market; potential downturns in economic conditions; fluctuations in the price and supply of required materials; foreign exchange fluctuations; availability of financing (as necessary); and other risk factors detailed in our Annual Information Form dated March 28, 2018 available on SEDAR at [www.sedar.com](http://www.sedar.com) and other filings with the Canadian securities regulatory authorities. In particular, financial forecasts and expectations are not indicators of future financial performance and there is no assurance that the Company's assumptions' in support of such forecasts or expectations are correct, accurate or complete. These risks, as well as others, could cause actual results and events to vary significantly. The Company does not undertake any obligation to update any forward-looking information, except as required by applicable securities law.

Unless otherwise noted, all references in this presentation to "\$" are to Canadian dollars. The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, the Company's audited consolidated financial statements for the year ended December 31, 2018 and the related notes thereto and Management's Discussion & Analysis, which are available on SEDAR

This presentation contains reference to "Operating EBITDA", which is a non-GAAP financial measure. For disclosure of the manner in which these measures are calculated and a reconciliation to net loss, please refer to the MD&A for the quarter ended December 31, 2018, available on SEDAR.

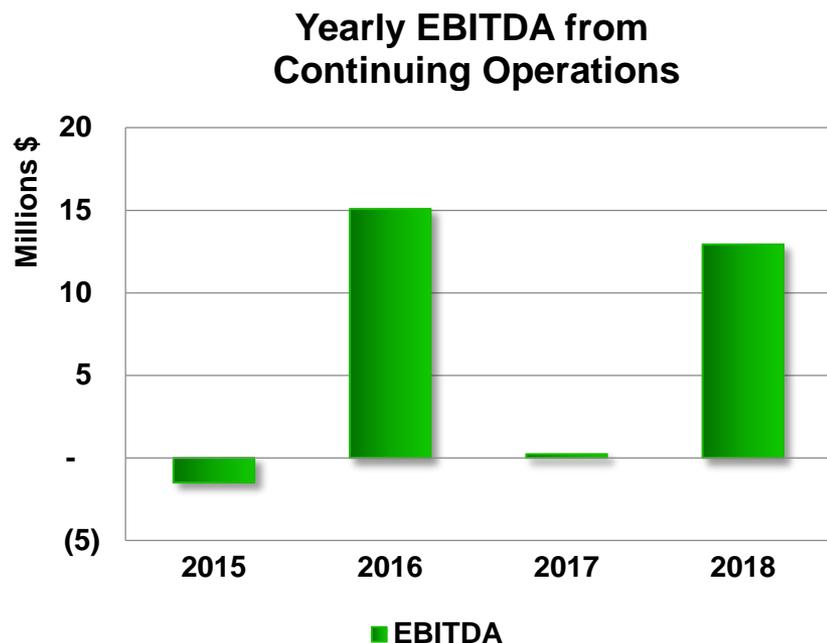
The financial information contained herein has been prepared in accordance with International Financial Reporting Standards.

# SUMMARY OF FINANCIAL RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2018



- Operating EBITDA from continuing operations was \$4.2 million for the fourth quarter of 2018 compared to operating EBITDA from continuing operations of \$7.5 million in the third quarter of 2018.
- The Dissolving Pulp Segment generated operating EBITDA of \$6.1 million. The Company invested \$0.8 million in the Bioproducts Segment and corporate costs were \$1.1 million in the fourth quarter of 2018.

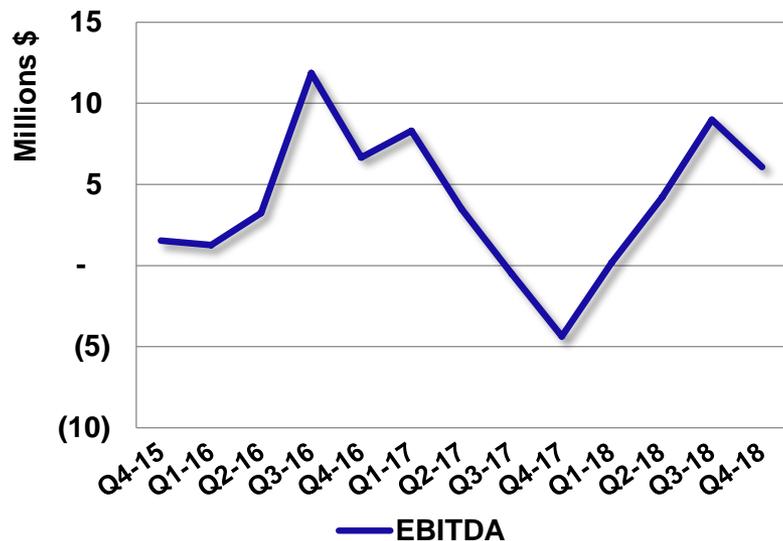
# SUMMARY OF FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018



- Operating EBITDA from continuing operations were \$12.9 million for the twelve months ended December 31, 2018 compared to operating EBITDA from continuing operations of \$0.2 million for the twelve months ended December 31, 2017.
- The Dissolving Pulp Segment generated operating EBITDA of \$19.5 million. The Company invested \$1.7 million in the Bioproducts Segment and Corporate costs were \$4.8 million for the twelve months ended December 31, 2018.

# SEGMENTED RESULTS DISSOLVING PULP

## Quarterly EBITDA



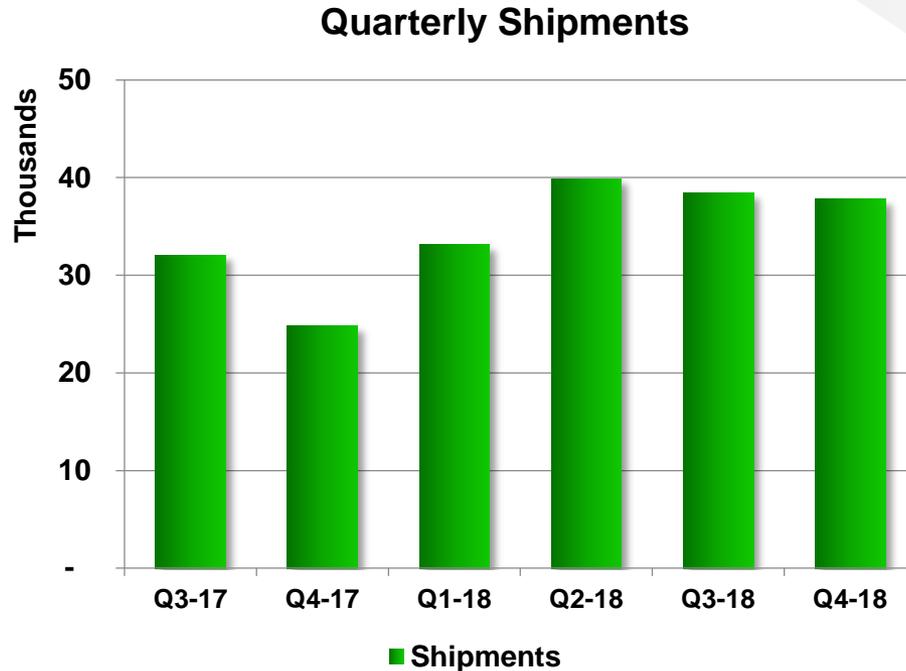
## Sales by Quarter



- Operating EBITDA for the Dissolving Pulp Segment for the fourth quarter of 2018 was \$6.1 million, compared to operating EBITDA of \$9.0 million in the third quarter of 2018.

- Sales totaled \$47.5 million for the quarter compared to \$48.7 million for the third quarter of 2018.

# SEGMENTED RESULTS DISSOLVING PULP



- The Company sold 37,818 air dried metric tonnes (“ADMT”) of dissolving pulp in the fourth quarter of 2018.
- The FSC mill held 6,609 ADMT of dissolving pulp inventory at December 31, 2018 compared to 4,929 ADMT as at September 30, 2018.



# DISSOLVING PULP



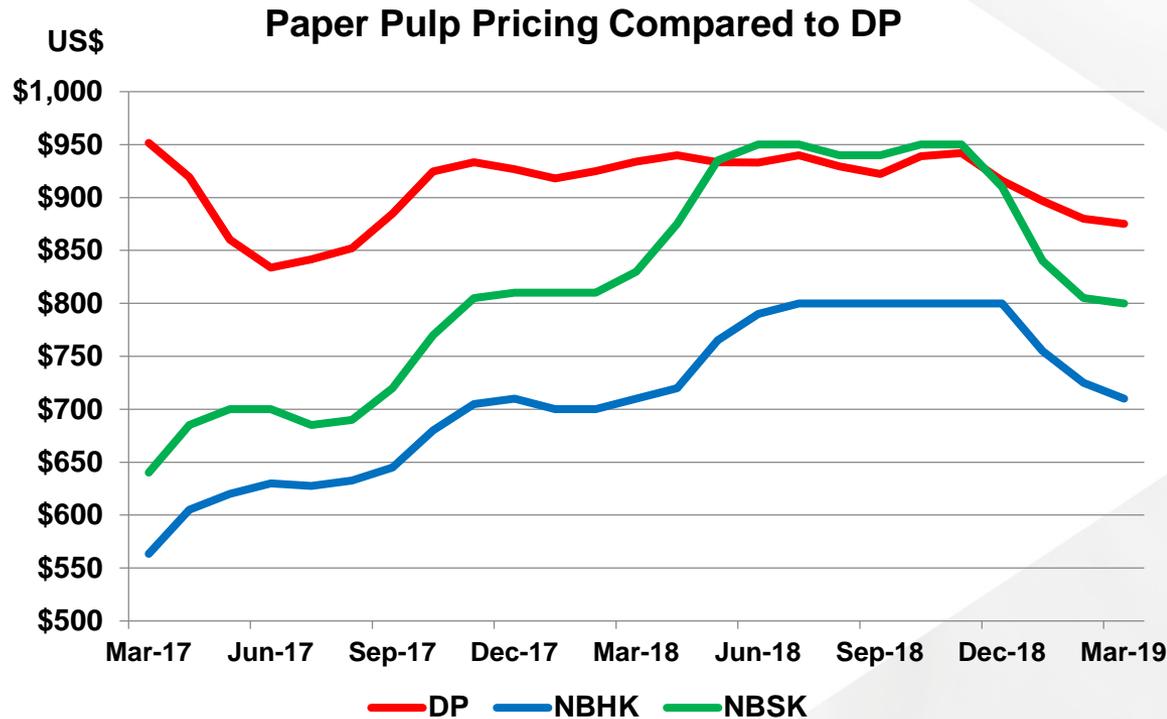
**Demand for dissolving pulp continues to be strong, supported by annual increases in the worldwide demand for fibre and viscose staple fibre capacity growth.**

**Dissolving pulp prices were relatively stable in 2018 averaging \$1,206 (US\$931) per ADMT compared to an average of \$1,167 (US\$899) per ADMT in 2017. Dissolving pulp is currently \$1,165 (US\$870) per tonne which is 7.1% lower year over year.**



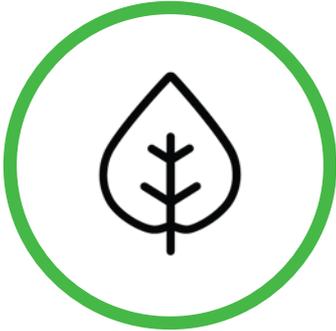
**Substantial recent increases in VSF capacity has contributed to inventory build up and softening of VSF pricing. Near term dissolving pulp pricing will most likely continue to be impacted by VSF market pricing and paper pulp markets**

# DISSOLVING PULP



We have evaluated swinging some production to NBHK and the economics still indicate to remain 100% on Dissolving Pulp

# BIOPRODUCTS



- In March 2018, the Company announced the acquisition of S2G, a Vancouver-based research & development, engineering and technology company with a proprietary process to produce xylitol and other bioproducts from cellulosic sugars. S2G has been successfully integrated and the newly formed division, Fortress Advanced Bioproducts (Fortress AB), has made significant progress on a bioproducts demonstration plant planned for the FSC mill site.



- In the fourth quarter of 2018, Fortress AB continued negotiating definitive funding agreements with various organizations within the federal and provincial governments for an aggregate of up to \$27.4 million of grant, equity and loan funding to support the demonstration project.
- In the fourth quarter of 2018 Fortress AB entered into an exclusive, worldwide Technology License and Collaboration Agreement with Mondelēz International Inc. (“Mondelēz”), a major international snacking company. Mondelēz also committed to technical support, financial assistance and, subject to definitive documentation, to procure product from the demonstration plant.

# BIOPRODUCTS

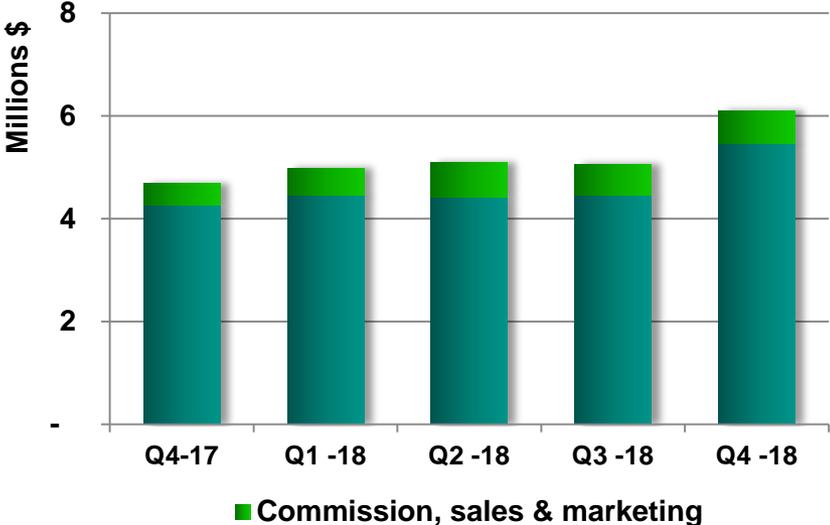
**A detailed review of the demonstration plant design, and project implementation plan, has resulted in an expanded scope of the demonstration plant to demonstrate production of xylitol, animal feed, lignin and potentially other bioproducts.**

**The project will utilize available hemicellulose and enable the FSC mill to increase dissolving pulp production due to reduced load of hemicellulose and other organics on the evaporators and recovery boiler.**

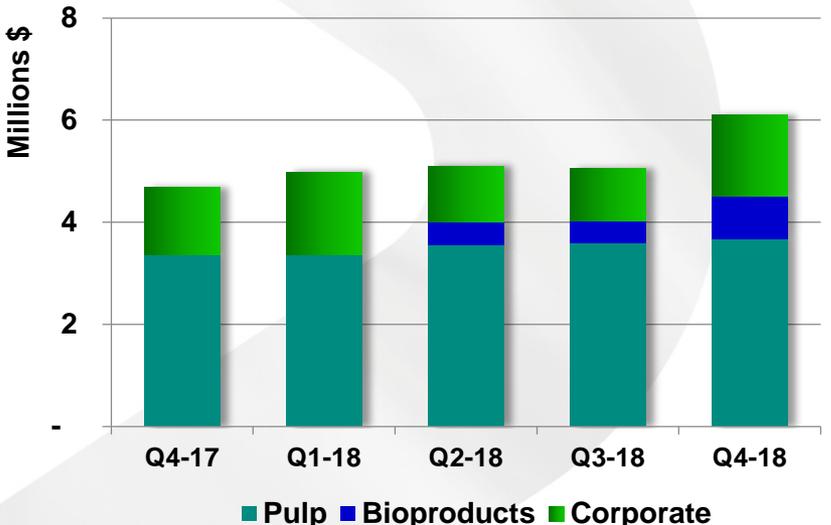


# SUMMARY OF FINANCIAL RESULTS

**Consolidated SG&A from Continuing Operations by Nature**



**Consolidated SG&A from Continuing Operations by Segment**



# DEBT SUMMARY

Repayments of principal for debt outstanding as at December 31, 2018 are required as follows:

<b>Q4 2018 (\$ MILLIONS)</b>			
<b>YEAR</b>	<b>CONVERTIBLE DEBT</b>	<b>OTHER DEBT</b>	<b>TOTAL</b>
2019	-	14,225	14,225
2020	-	14,225	14,225
2021	62,100	14,225	76,325
2022	-	14,225	14,225
2023	-	14,225	14,225
Thereafter	-	67,429	67,429
<b>Total</b>	<b>62,100</b>	<b>138,554</b>	<b>200,654</b>

Subsequent to the year ended December 31, 2018, the Company entered into an amendment with a lender to which the quarterly principal payment due March 31, 2019, totaling \$2.8 million will be due on maturity of the loan in December 2026. The interest payable from January 1, 2019 to March 31, 2019, totaling \$1.3 million, will be capitalized and added to the outstanding balance of the loan. The next principal and interest payment will be due on June 30, 2019, and interest and principal will be payable on a quarterly basis thereafter.

# QUESTIONS?

This concludes the presentation for our fourth quarter results from operations.

We will now open up the lines for a Q&A.

