



**FIRST QUARTER**

**2019 CONFERENCE CALL**

**RESULTS FROM OPERATIONS**

**TOLL FREE DIAL IN: 1-855-353-9183**  
**CONFERENCE NUMBER: #1245268**  
**PARTICIPANT PASS CODE: #15086**

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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.

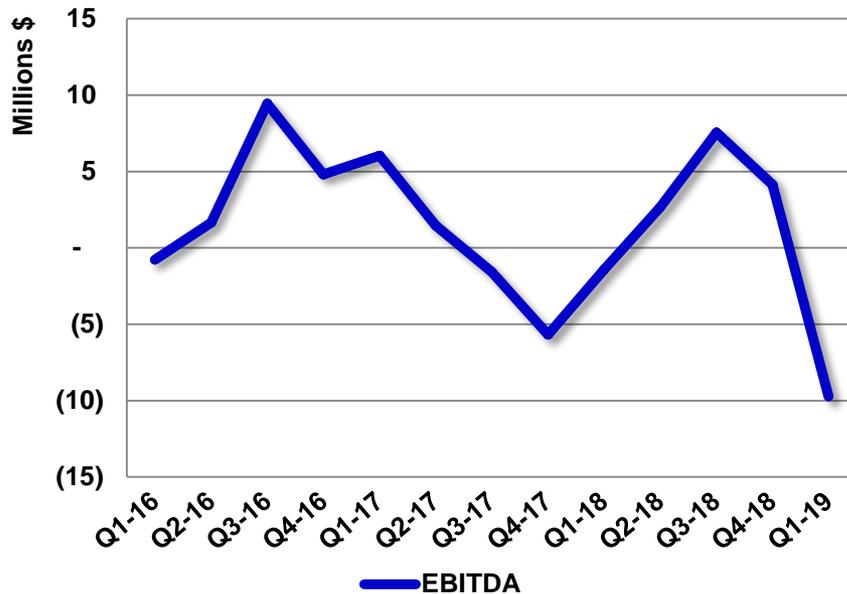
Unless otherwise noted, all references in this presentation to "\$" are to Canadian dollars. The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, the Company's unaudited condensed consolidated financial statements for the quarter ended March 31, 2019 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 March 31, 2019, available on SEDAR.

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

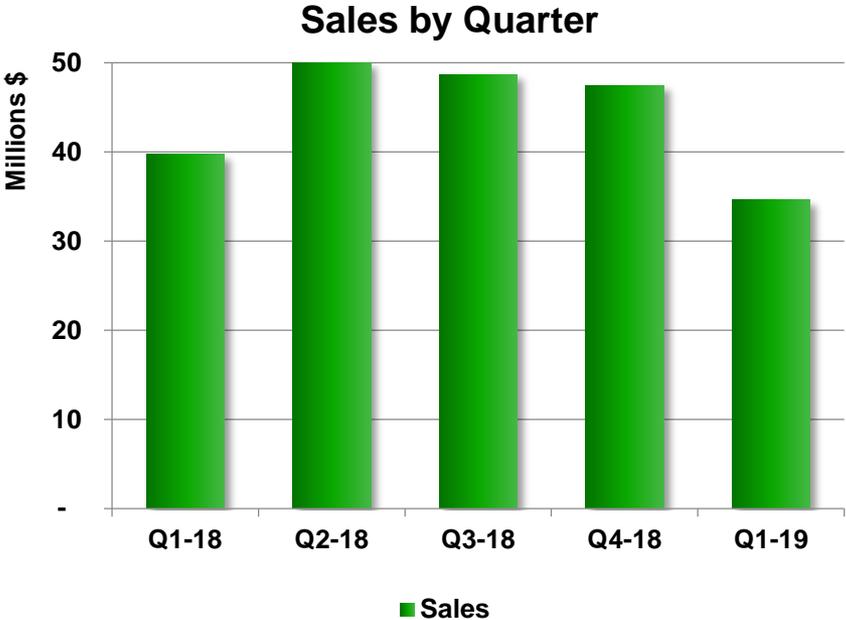
# SUMMARY OF FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2019

Quarterly EBITDA



- Operating EBITDA loss was \$9.7 million for the first quarter of 2019 compared to operating EBITDA of \$4.2 million in the fourth quarter of 2018.
- The Dissolving Pulp Segment incurred operating EBITDA loss of \$8.8 million. The Company invested \$0.8 million in the Bioproducts Segment which was offset by grants and funding. Corporate costs were \$0.9 million in the first quarter of 2019.
- Results for the first quarter of 2019 were negatively impacted by multiple region-wide electrical power outages and extreme weather conditions which impacted both production volumes and pulp quality resulting in a reduction in realized pricing and sales.

# SEGMENTED RESULTS DISSOLVING PULP

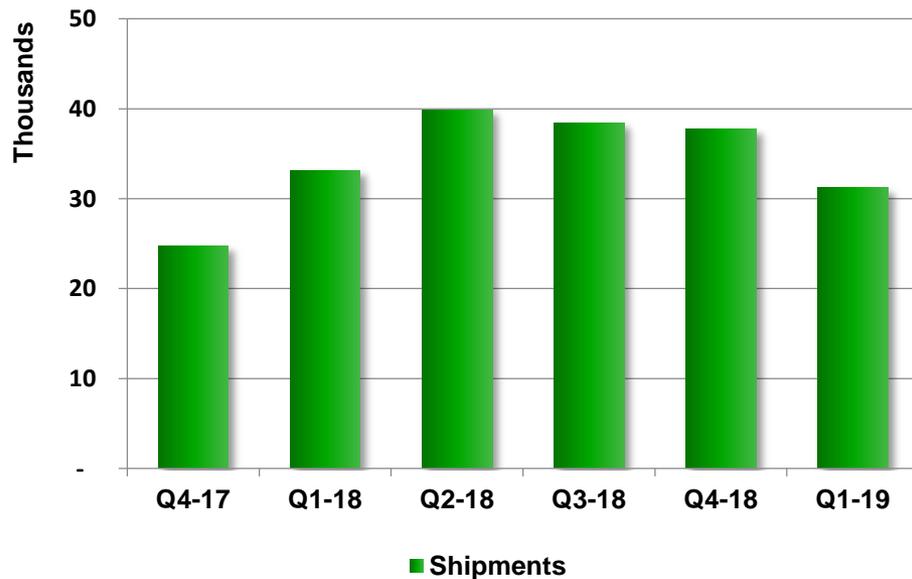


- Sales totaled \$34.6 million for the quarter compared to \$47.5 million for the fourth quarter of 2018.



# SEGMENTED RESULTS DISSOLVING PULP

Quarterly Shipments



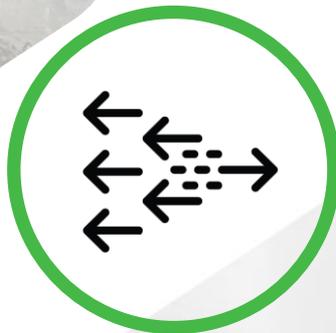
- The Company sold 31,232 air dried metric tonnes (“ADMT”) of dissolving pulp in the first quarter of 2019.
- The FSC mill held 6,065 ADMT of dissolving pulp inventory at March 31, 2019 compared to 6,609 ADMT as at December 31, 2018.

# DISSOLVING PULP



The long-term outlook for dissolving pulp continues to be strong, supported by annual increases in the worldwide demand for fibre and viscose staple fibre capacity growth.

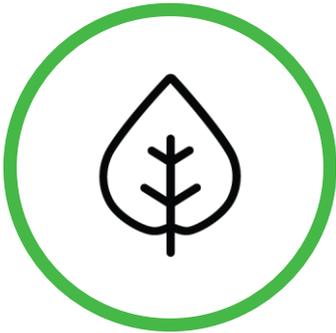
Substantial recent increases in VSF capacity has contributed to inventory build up and softening of VSF pricing. Near term dissolving pulp pricing will most likely continue to be impacted by VSF market pricing and paper pulp markets.



Dissolving pulp pricing is currently \$1,136 (US\$844) per tonne which is estimated to be below marginal cost level which should result in reduced production in China and swing lines remaining in paper pulp.



# BIOPRODUCTS



- In March 2018, the Company acquired 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.



- Fortress AB has entered into definitive funding agreements with organizations within the federal government for an aggregate of up to \$20.4 million, an additional \$7 million of funding from the government of Quebec remains subject to the execution of definitive agreements.
- 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

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**Fortress continues to work to advance its planned xylitol and complementary bioproducts demonstration plant project.**

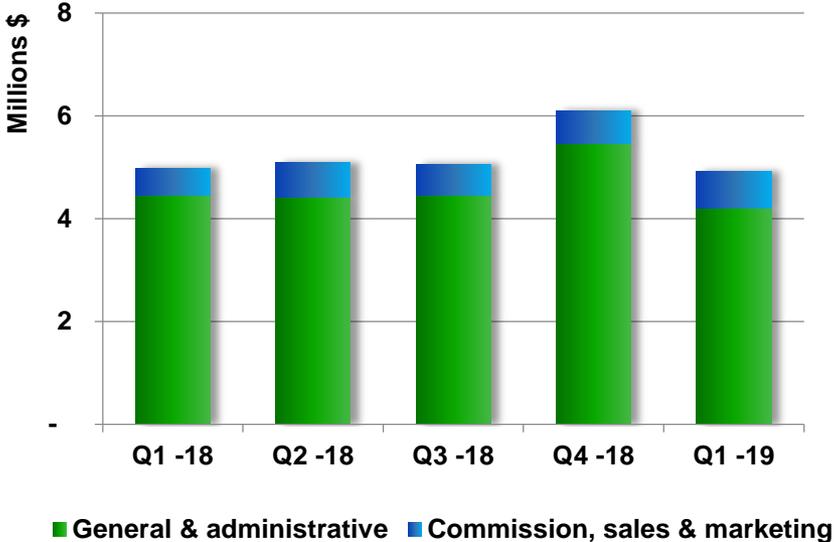
**The Company intends to produce xylitol and potentially other valuable bioproducts such as animal feed and lignin from hemicellulose and other underutilized streams produced at the FSC mill.**

**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.**

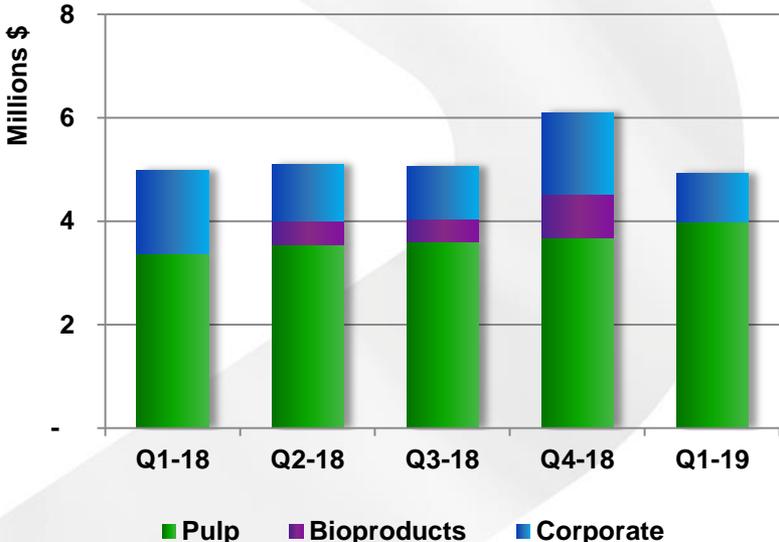


# SUMMARY OF FINANCIAL RESULTS

**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 March 31, 2019 are required as follows:

Q1 2019 (\$ MILLIONS)			
YEAR	CONVERTIBLE DEBT	OTHER DEBT	TOTAL
2019	-	12,422	12,422
2020	-	14,404	14,404
2021	62,100	14,404	76,504
2022	-	14,404	14,404
2023	-	14,404	14,404
Thereafter	-	70,762	70,762
<b>Total</b>	<b>62,100</b>	<b>140,800</b>	<b>202,900</b>

During the three months ended March 31, 2019, 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, has been 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.

The lender has agreed in principle to grant additional interest and principal payment deferrals on our \$105.2 million debt, subject to definitive documentation as the Company and the lender work towards a longer term multi-year moratorium and an extended term.

# QUESTIONS?

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

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

