

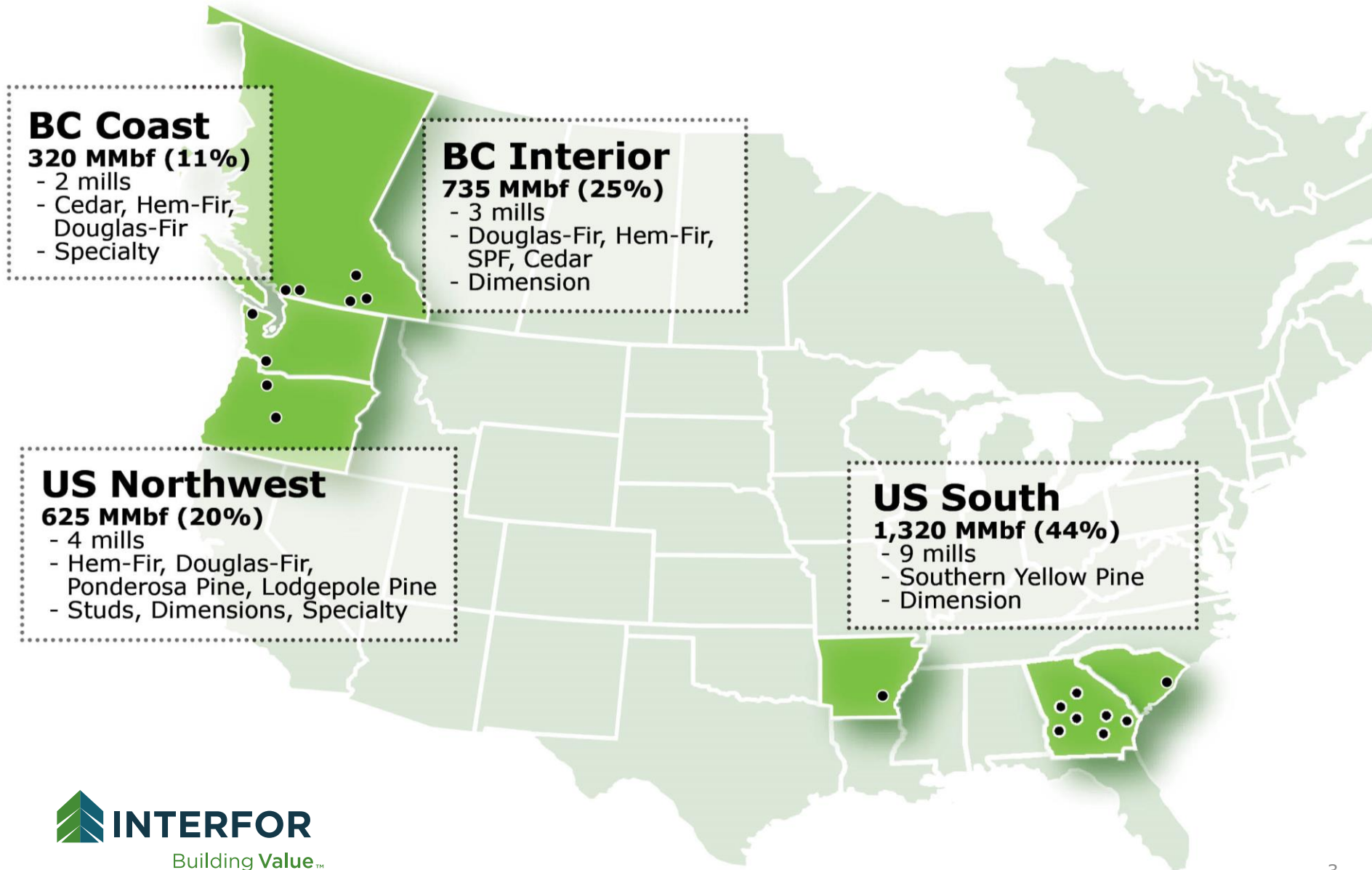


# COMPANY UPDATE MARCH 2016

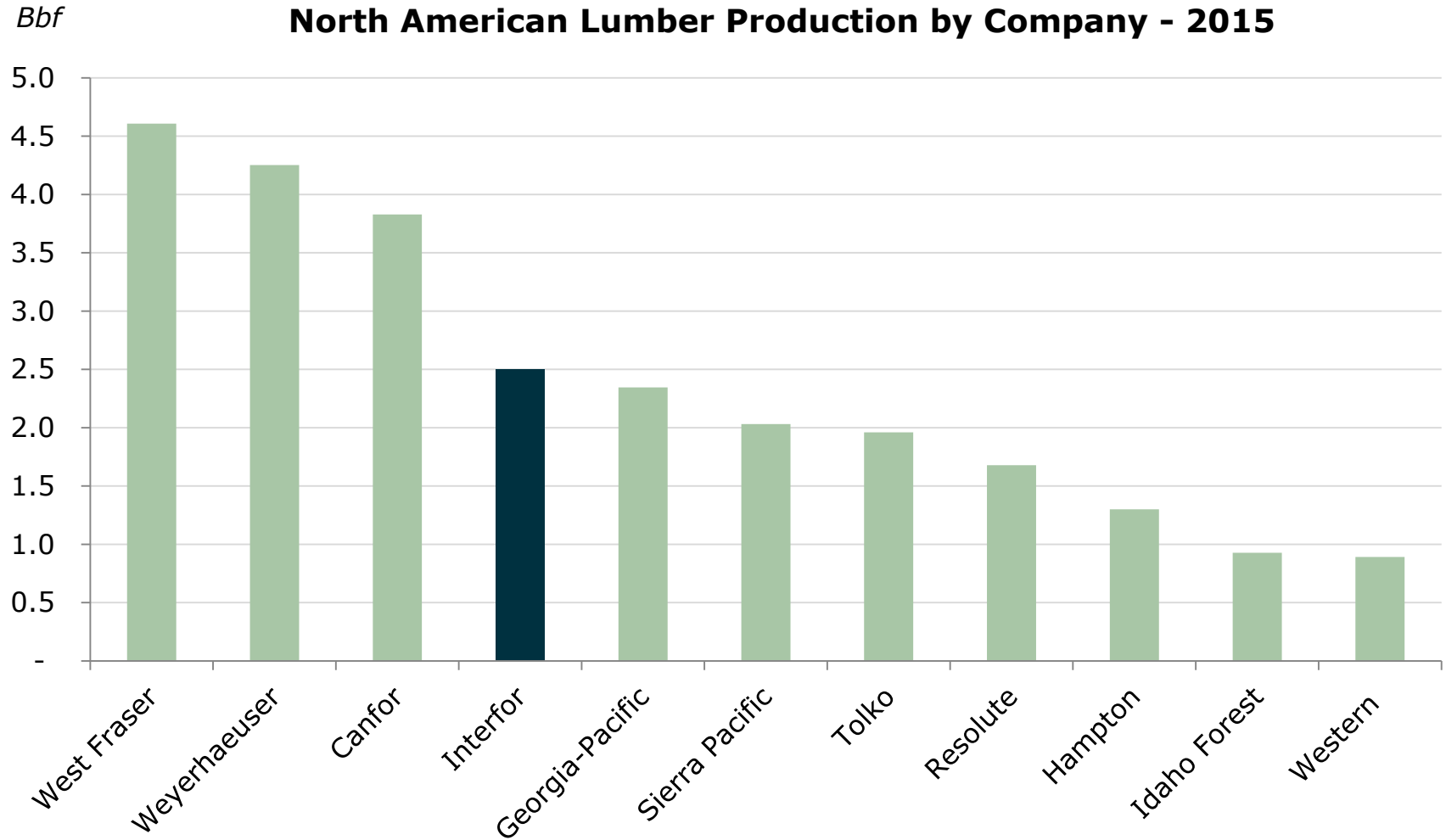
# FORWARD-LOOKING INFORMATION

This presentation contains information and statements that are forward-looking in nature, including, but not limited to, statements containing the words “will”, “is expected”, “forecast”, “annualized”, “target” 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 others: price volatility; competition; availability and cost of log supply; natural or man-made disasters; foreign currency exchange fluctuations; changes in government regulation; export and other trade barriers; environmental and community matters; labour disruptions; and other factors referenced herein and in Interfor’s current Annual Report and Management’s Discussion & Analysis, both available on [www.sedar.com](http://www.sedar.com). The forward-looking information and statements contained in this presentation 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.

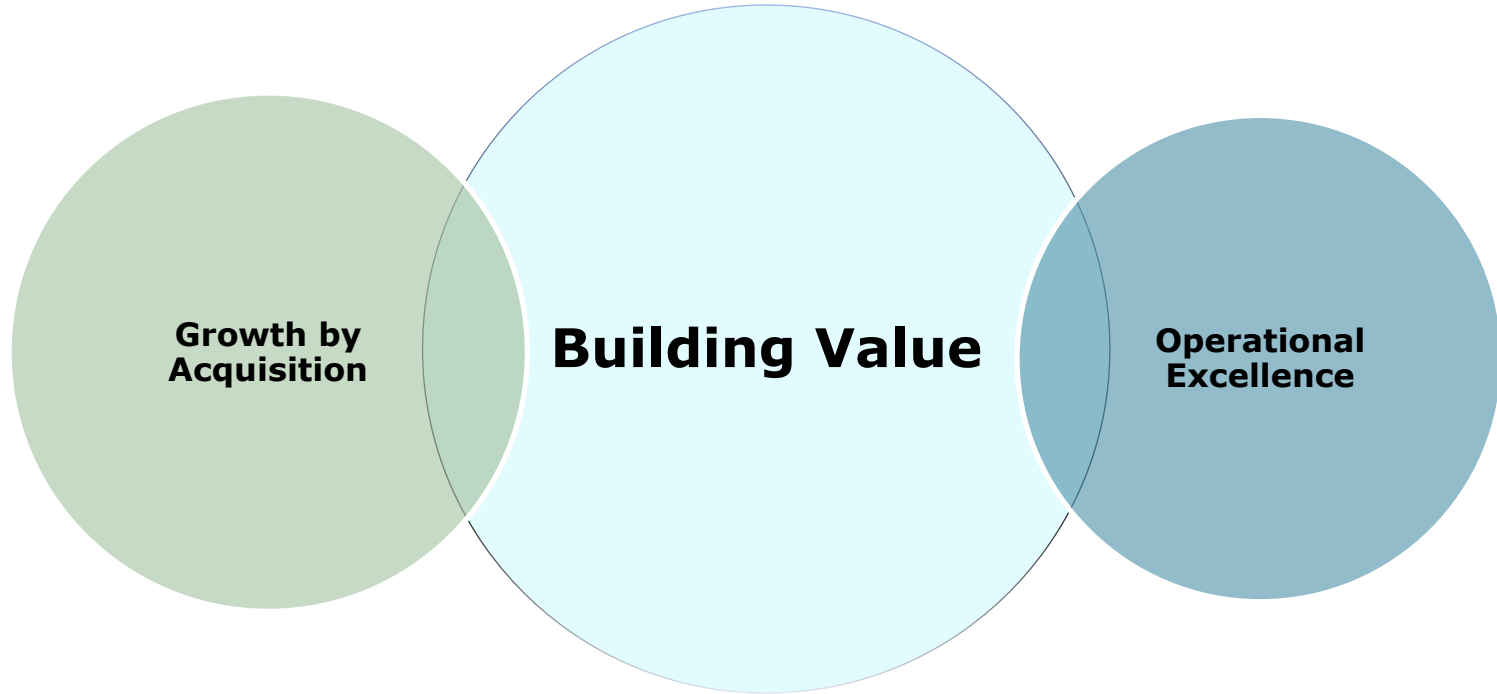
# INTERFOR'S FOUR REGIONS



# 4<sup>th</sup> LARGEST LUMBER PRODUCER



# INTERFOR STRATEGIC PLAN

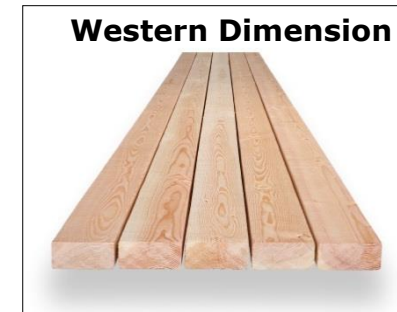
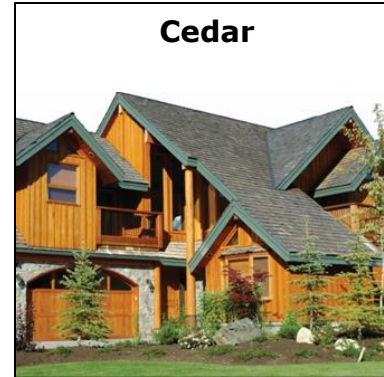
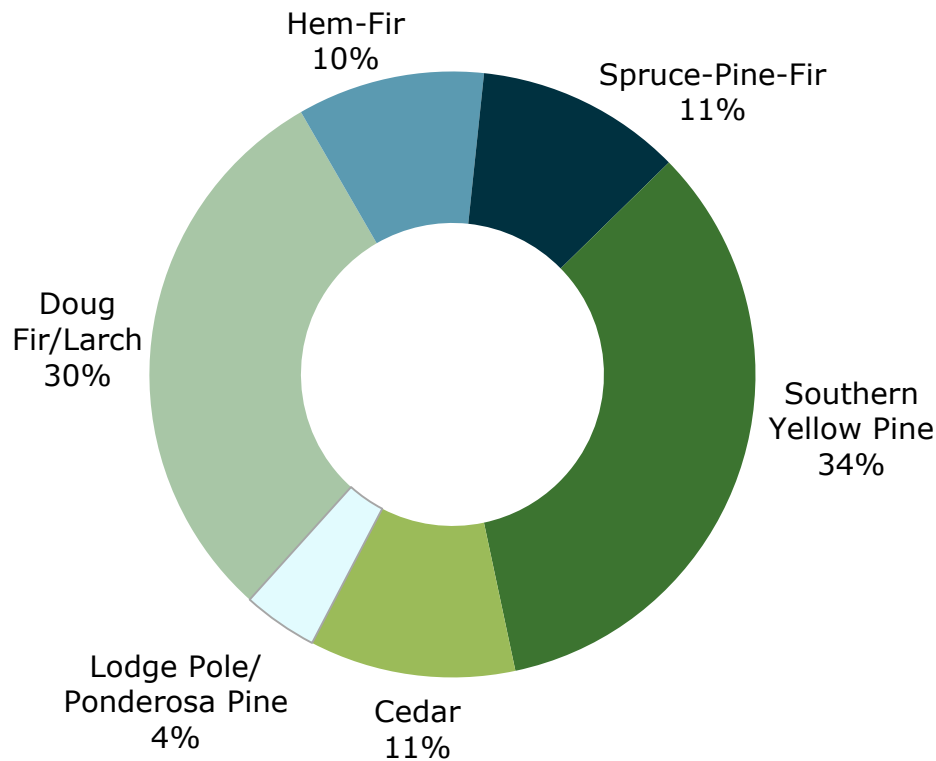




# LUMBER MARKETS

# INTERFOR'S DIVERSE LUMBER MIX

## Lumber Sales By Species <sup>1</sup>

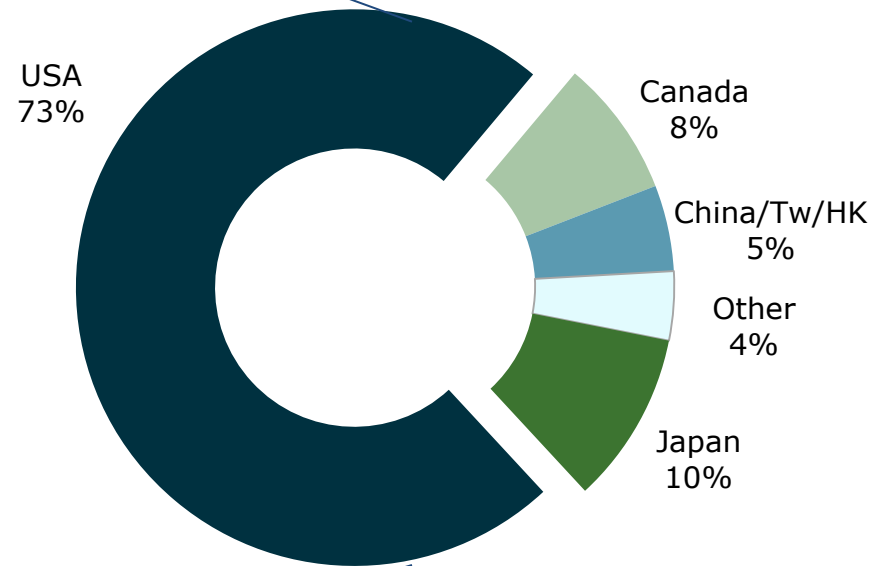


(1) By value for 2015

# NORTH AMERICAN DRIVEN BUSINESS

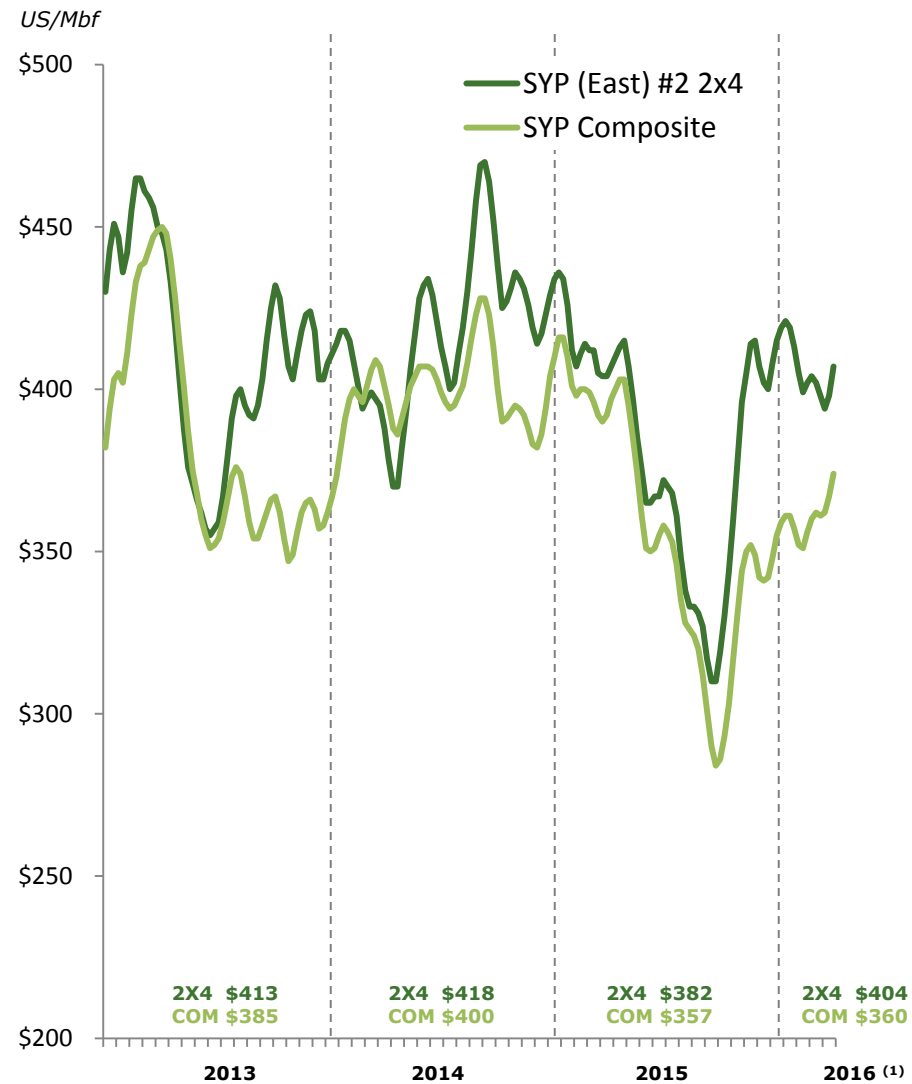
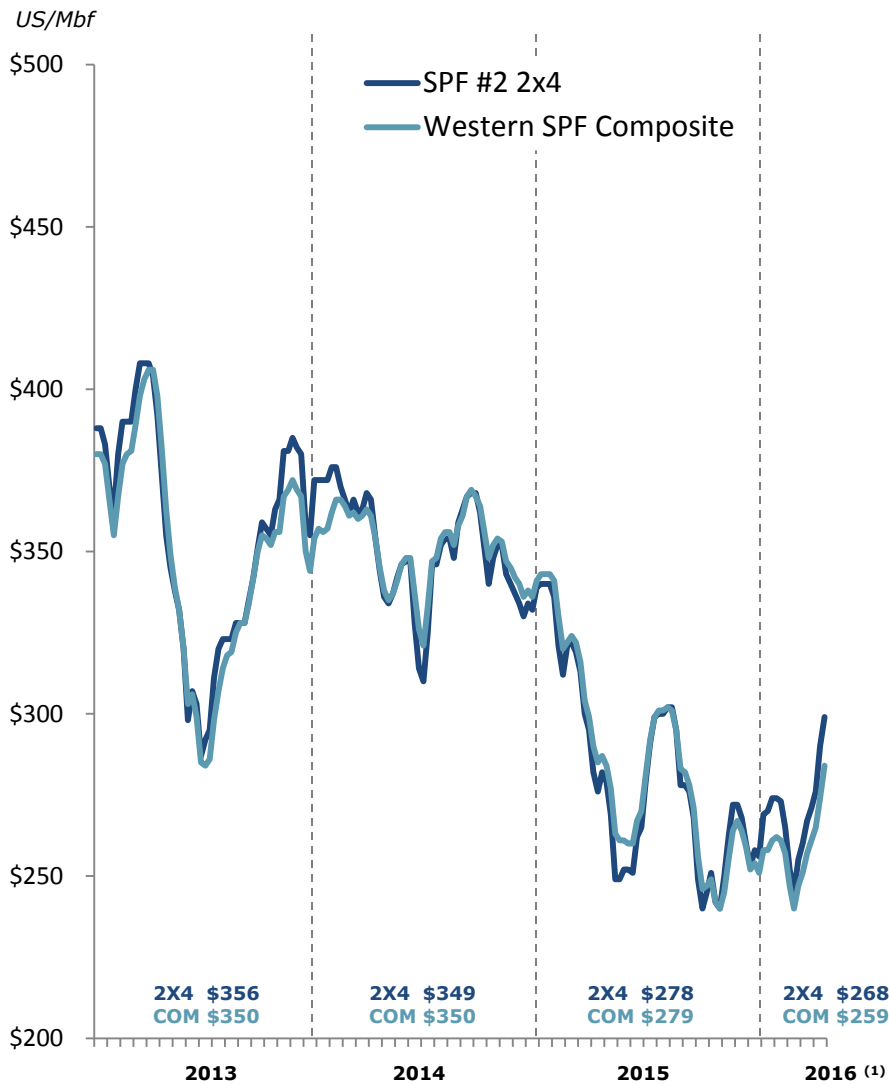


**Lumber Sales By Market <sup>1</sup>**





# BENCHMARK LUMBER PRICE TRENDS



Source: Random Lengths

(1) 2016 includes prices to Mar 18th; compared to Q4-15 SPF of \$263 & \$256 and SYP of \$400 & \$343 for 2x4 and Composite, respectively.

# KEY MARKET DRIVERS

	2014 <sup>(1)</sup>	2015 <sup>(1)</sup>	2016E <sup>(1)</sup>	2017E <sup>(1)</sup>
US Housing Starts - Total (mm)	1.0	1.1	1.2	1.4
<i>Change</i>		+11%	+11%	+15%
US Housing Starts - Single Family (mm)	0.6	0.7	0.8	1.0
<i>Change</i>		+10%	+16%	+16%
NA Lumber Consumption (Bft)	48.8	51.5	54.0	57.5
<i>Change</i>		+6%	+5%	+7%
NA Offshore Exports (Bft)	7.6	6.9	6.6	6.1
<i>Change</i>		-9%	-5%	-6%
NA Offshore Imports (Bft)	0.6	0.7	0.8	1.2
<i>Change</i>		+20%	+20%	+40%

(1) Source: Forest Economic Advisors (FEA) forecast published March 21, 2016



# OPERATIONS OVERVIEW

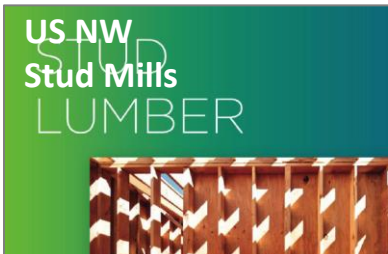
# BUSINESS COMPARISONS



- 9 dimension mills in Georgia, S. Carolina and Arkansas
- Low cost wood baskets
- Strong geographic fit/significant operational upside



- 3 dimension mills in BC southern interior
- Modern/low cost operations
- Good fiber supply/limited exposure to pine beetle



- 3 stud mills in Washington State and Oregon
- Efficient/modern operations
- Margins are more variable than other regions



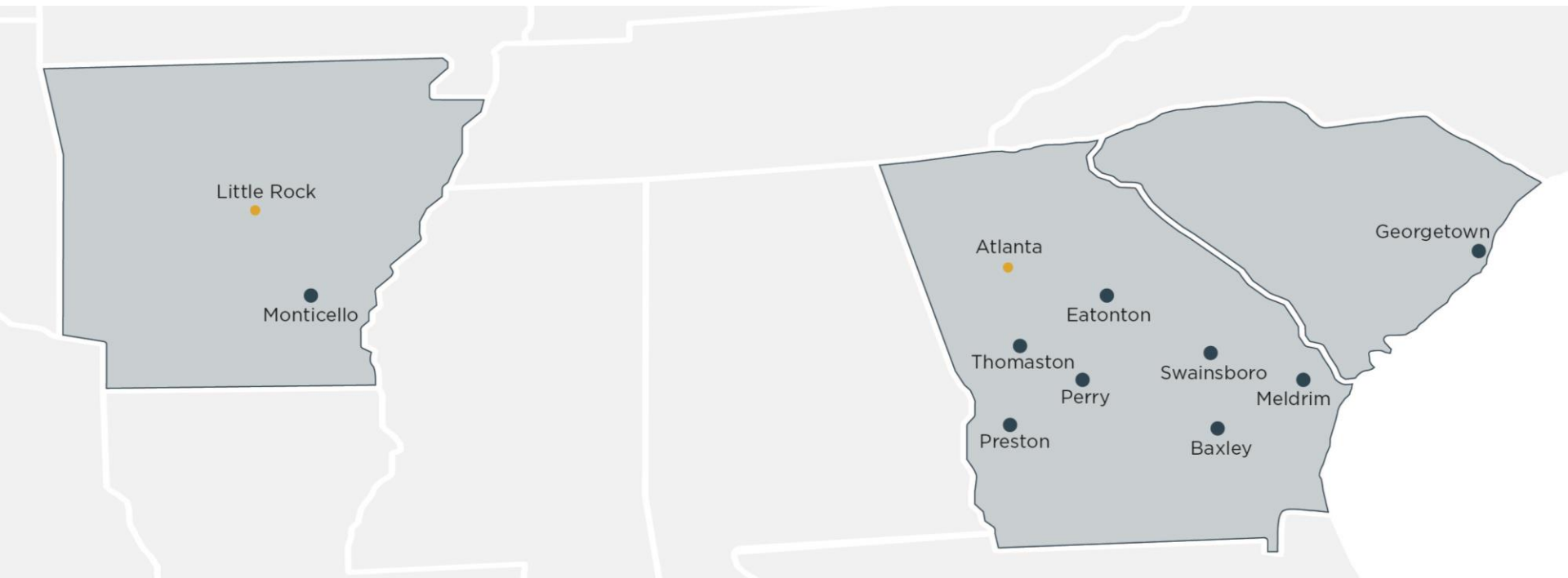
- 3 specialty mills in BC Coast and Oregon
- High value products (eg. cedar, Japanese squares and pine boards)
- More stable prices



# US SOUTH DIMENSION MILLS

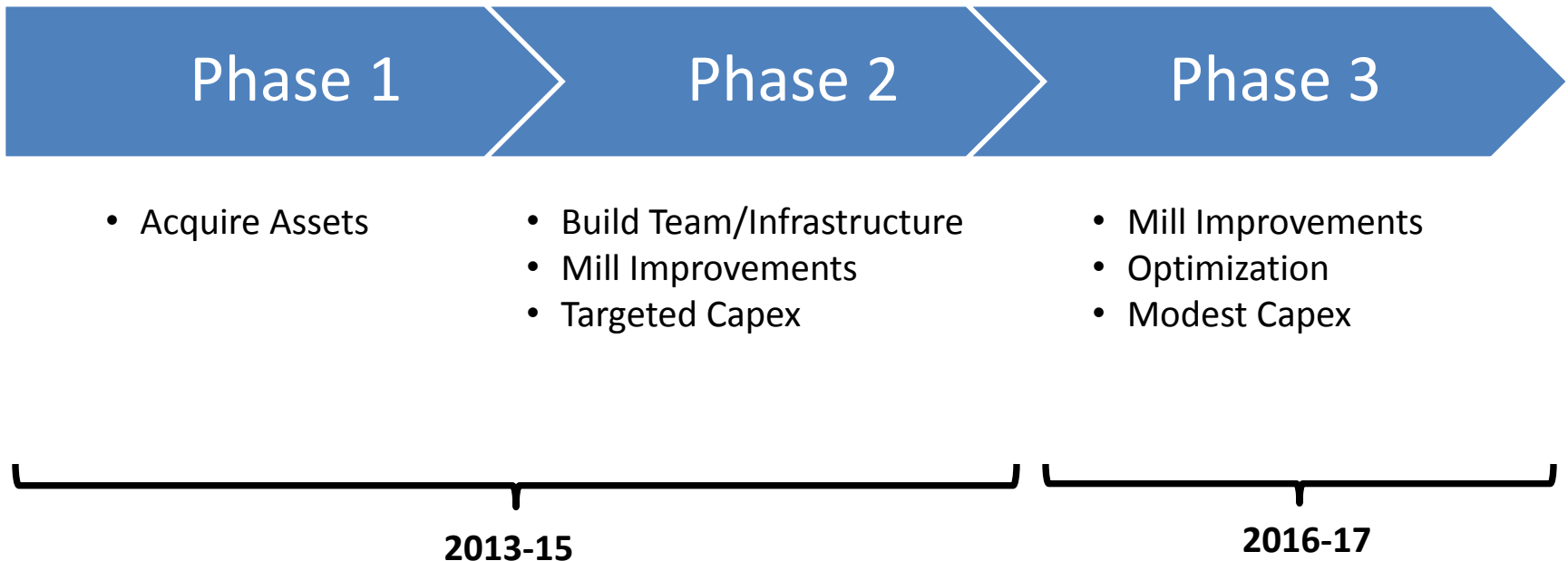
# US SOUTH OVERVIEW

- Invested over US\$400 million since March 2013
  - 5 acquisitions
- 9 mills
- 1.3 Billion feet of lumber capacity across 3 States
  - Largest lumber producer in Georgia
  - 44% of Interfor's capacity is in the South

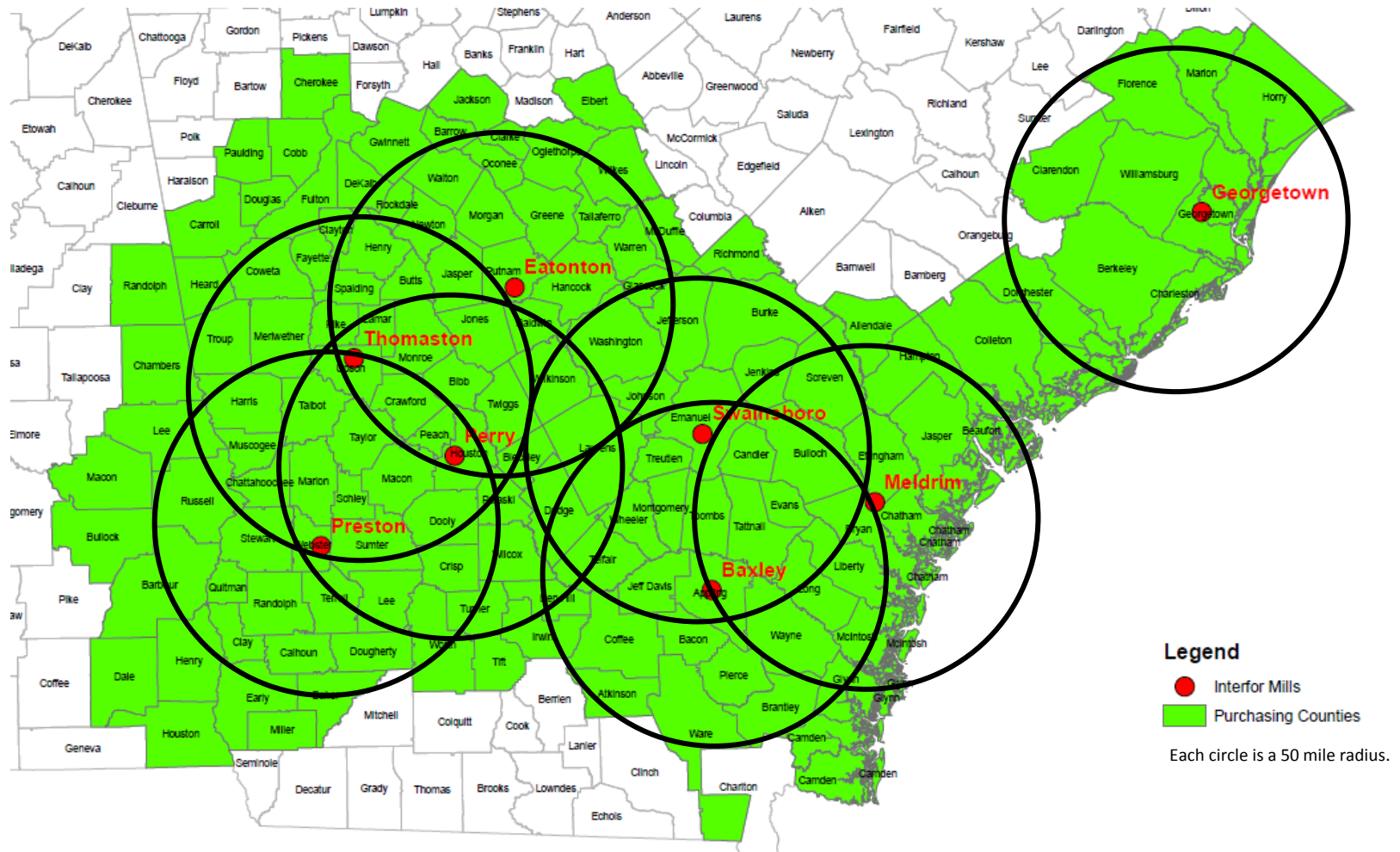


# US SOUTH: STARTED UP IN 2013

## ACQUIRED *ASSETS*...NOW REPOSITIONING A *BUSINESS*



# LOGISTICS – RIGHT LOG TO RIGHT MILL





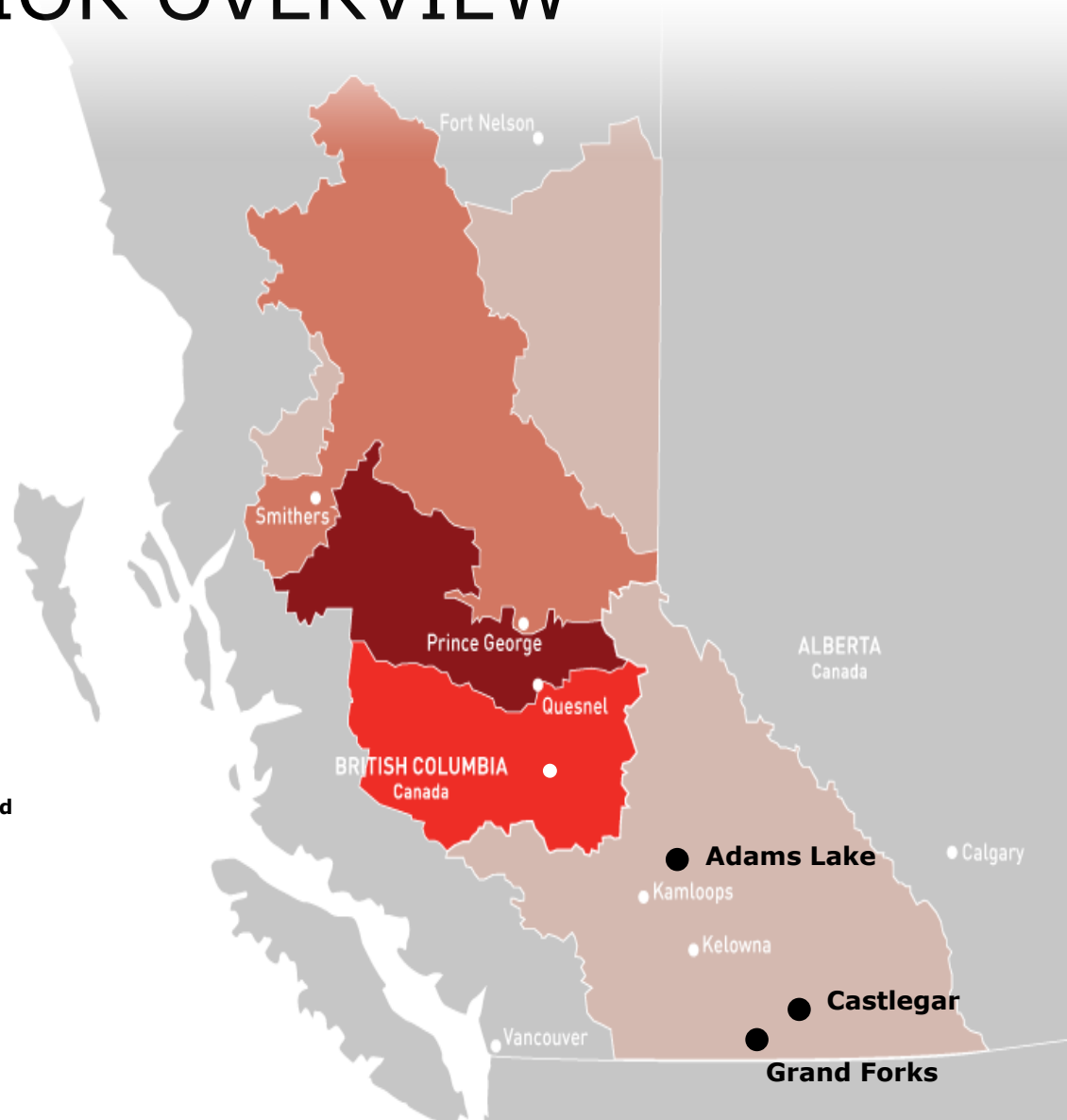


# BC INTERIOR DIMENSION MILLS

# BC INTERIOR OVERVIEW

## Cumulative Percentage of Merchantable Forest Volume Killed Since 1999

- Very High (>45%)
- High (31-45%)
- Moderate (16-30%)
- Low (<16%)
- None (0%)



# BC INTERIOR MODERNIZATION

2008-09



2012



October 2015 Start-up



- 3 MODERN MILLS IN GOOD FIBER BASKETS
  - RE-INVESTMENTS ARE COMPLETE
- CONSTRUCTION: ON-TIME AND ON BUDGET

# BC INTERIOR MODERNIZATION – IMPACT

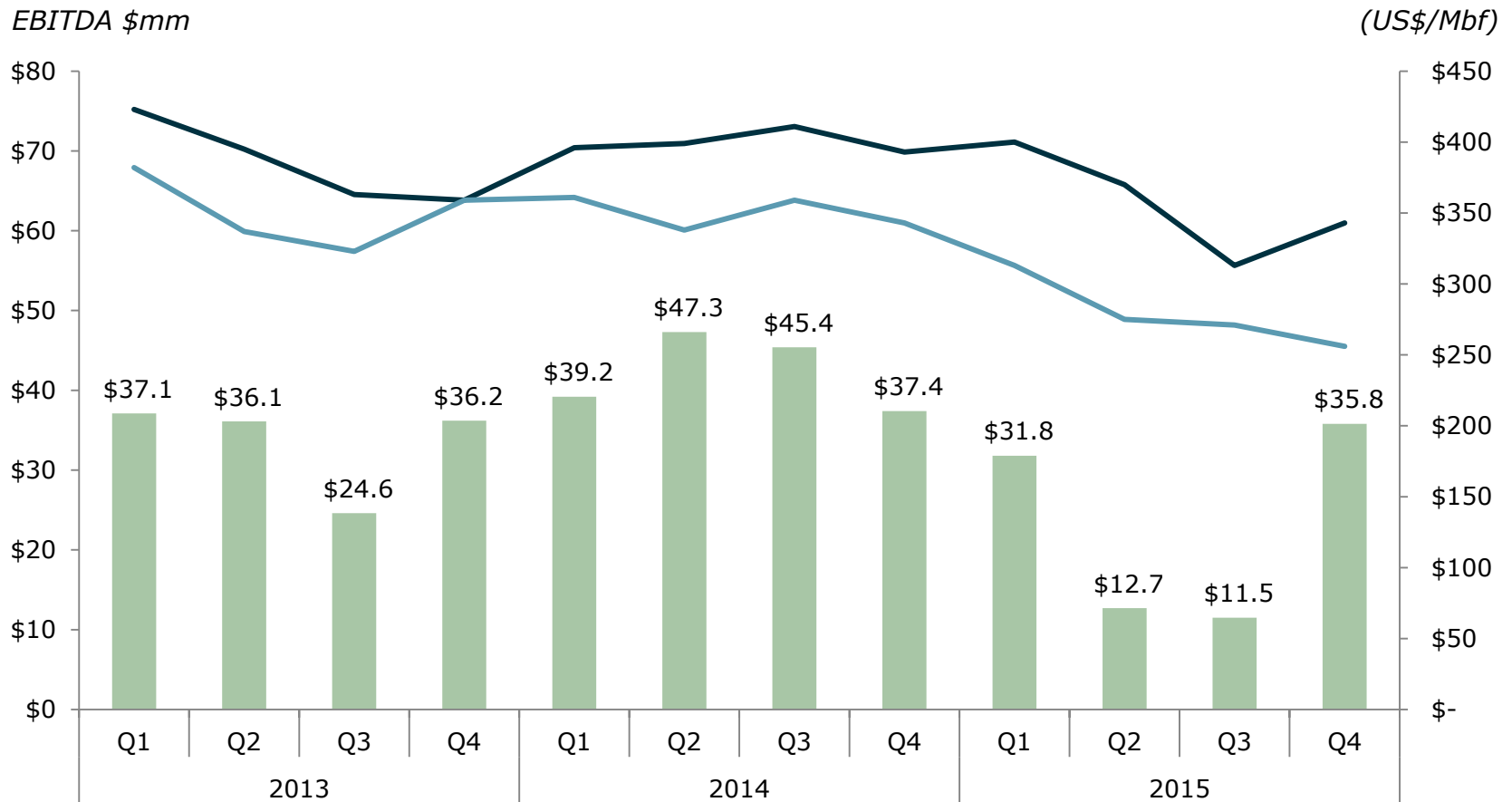
	2007	2015 <sup>(1)</sup>	Change
Primary Breakdown Lines	8	5	-38%
Annual Production, MMbf	549	690	+26%
Lumber Recovery, bf/m <sup>3</sup>	279	307	+10%
Hourly Headcount, FTE	602	406	-33%

<sup>(1)</sup> Adams Lake & Grand Forks – 2015; Castlegar – Mill Upgrade Proforma.



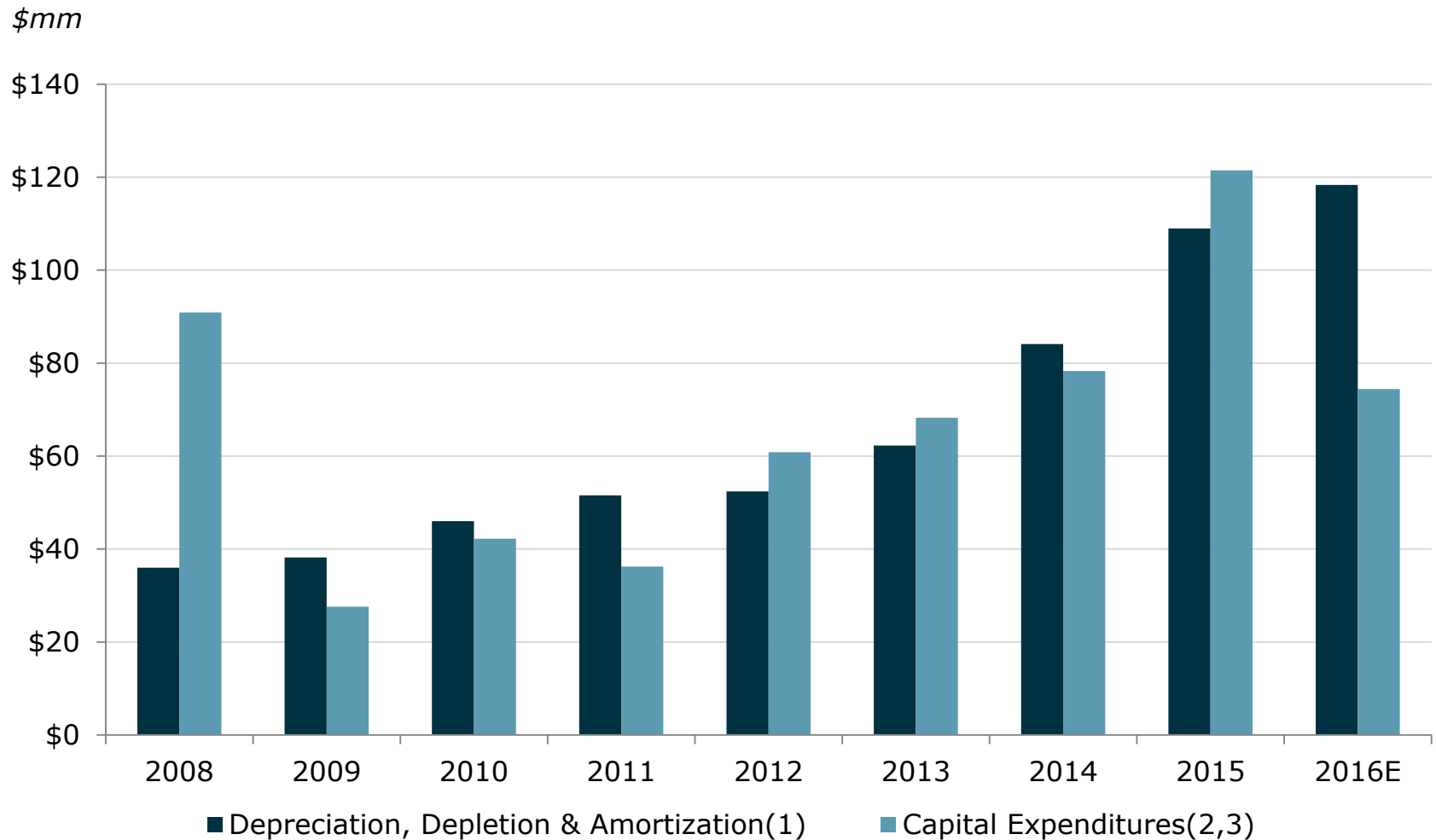
# FINANCIAL REVIEW

# 2015 RESULTS IN CONTEXT



■ Interfor Adjusted EBITDA (\$Cmm) 
 — SYP Composite Price (US\$/Mbf) 
 — WSPF Composite Price (US\$/Mbf)

# CAPITAL SPENDING PROFILE



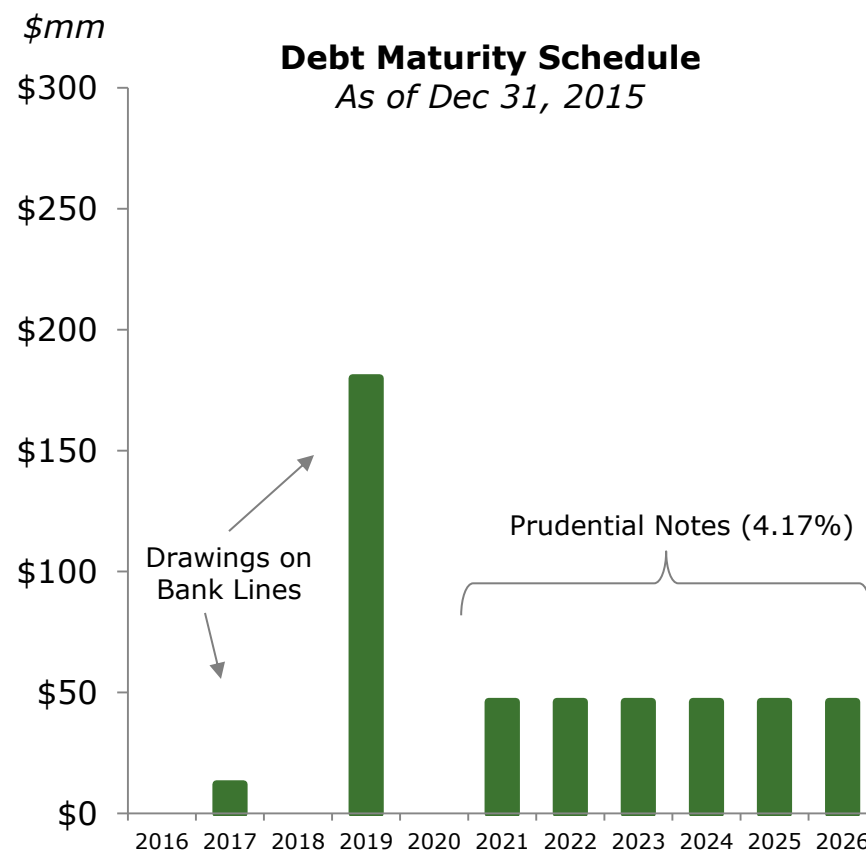
# CAPITAL STRUCTURE

- Interfor has a prudent capital structure.
- Weighted average interest rate < 4%.
- At Dec 31, 2015 - Available liquidity of \$147 mm.

**Capital Structure**  
As of Dec 31, 2015

Net Debt (C\$mm)	\$452
Book Equity (C\$mm)	\$725
Invested Capital (C\$mm)	\$1,178
Net Debt / Invested Capital	38%
Net Debt / Q4 EBITDA (annualized)	3.2x
EBITDA / Interest Expense (Q4)	7x

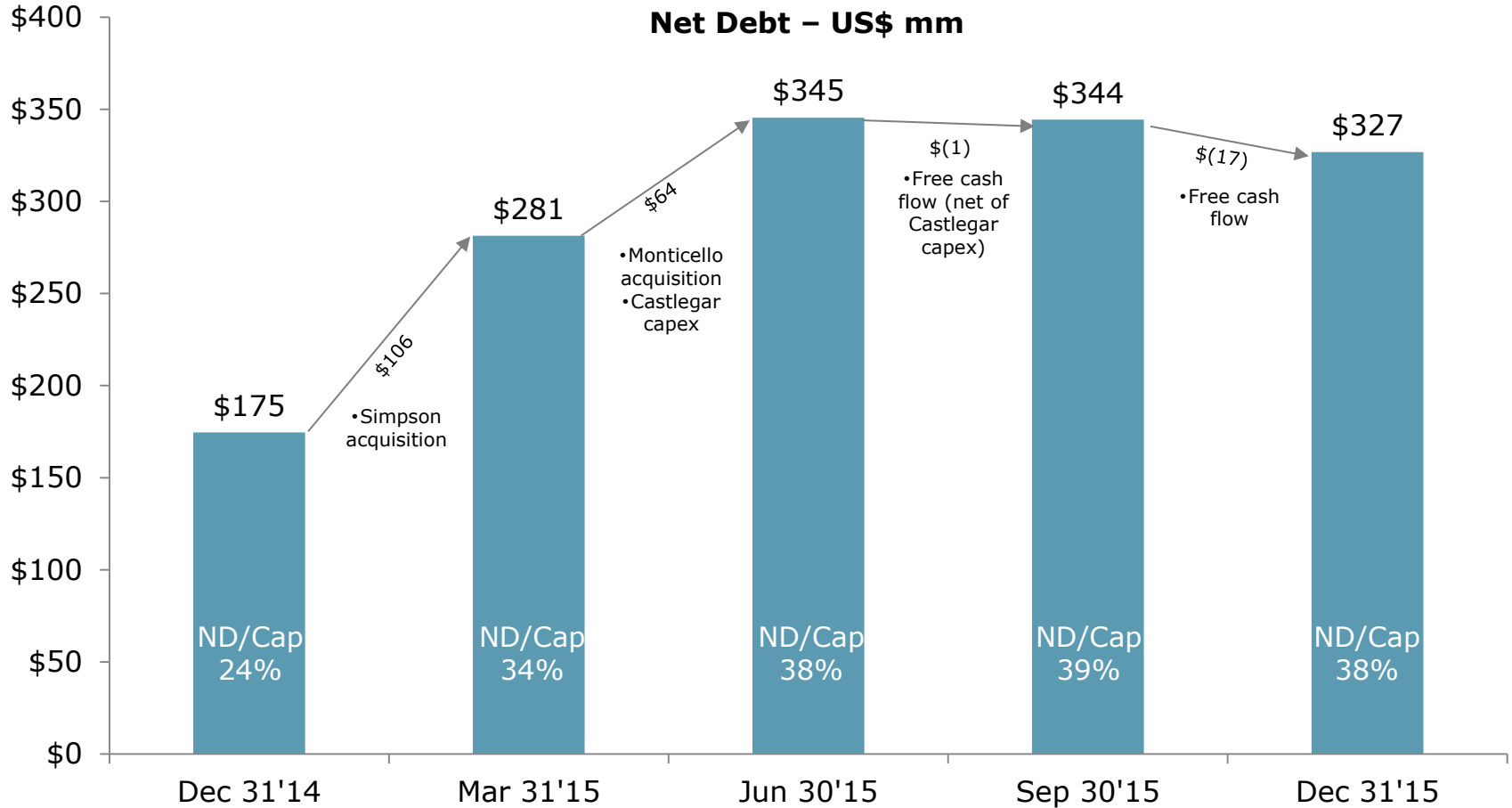
**Debt Maturity Schedule**  
As of Dec 31, 2015





# NET DEBT PROFILE

- Substantially all of Interfor's debt is denominated in US\$.



# SUMMARY

## Strong Asset Base With Significant Upside

- 3 modern mills in BC Interior (Castlegar capex is complete) - \$10 mm annualized EBITDA impact <sup>(1)</sup>
- Targeted margin improvement initiatives underway (primarily focused on US South) - \$40 mm annualized EBITDA improvement by 2016/17 <sup>(1)</sup>
- “Capital light” approach for 2016

## Prudent Capital Structure

- Debt maturities termed out to 2019-2026
- Low cost debt
- \$147 mm of liquidity
- Proceeds from Tacoma mill site sale expected in 2H 2016

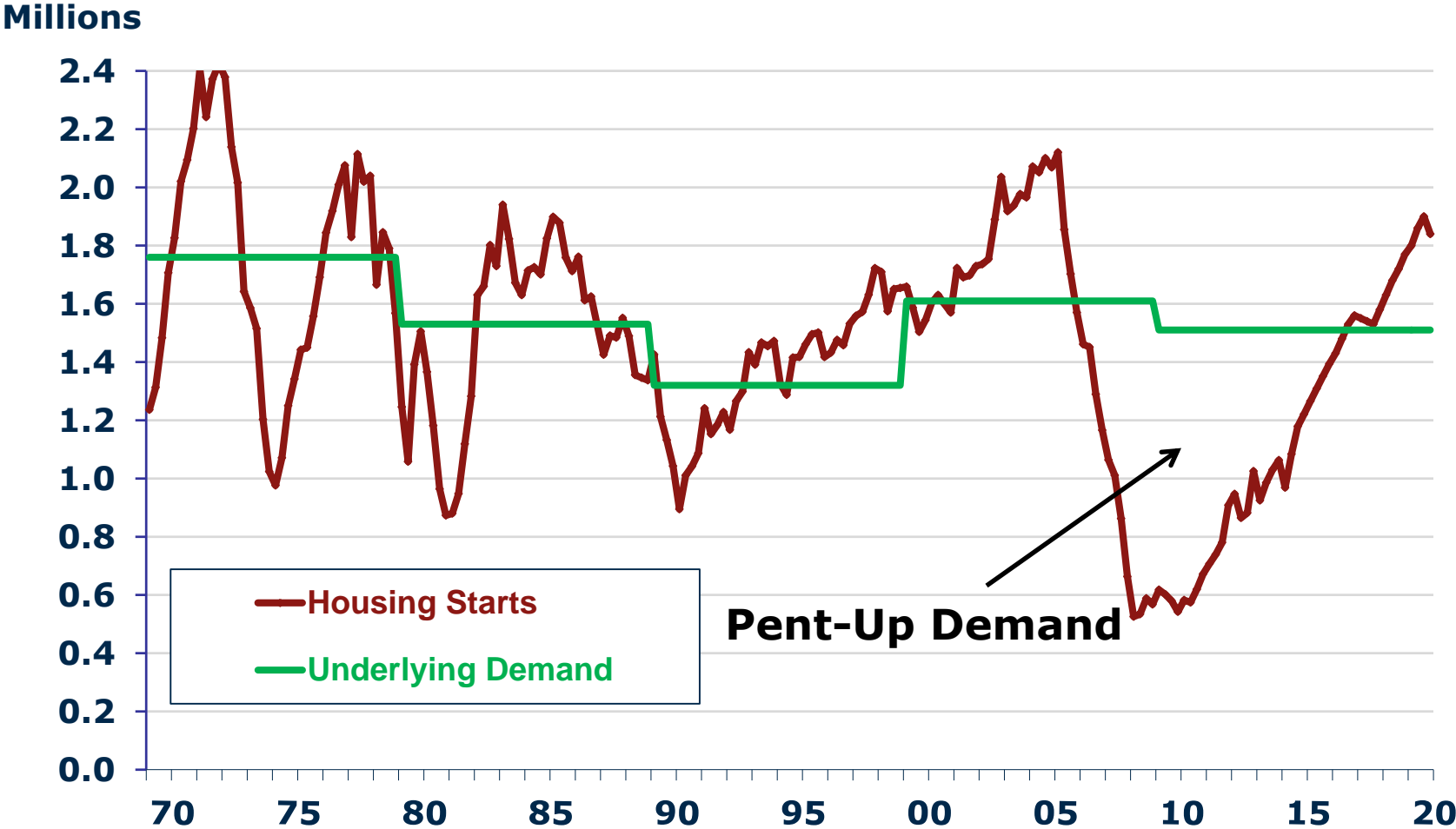
## Improving Industry Fundamentals

- North American housing starts continue to improve
- Industry supply chain appears to be in balance
- Spring demand dynamics are positive (unlike 2015)

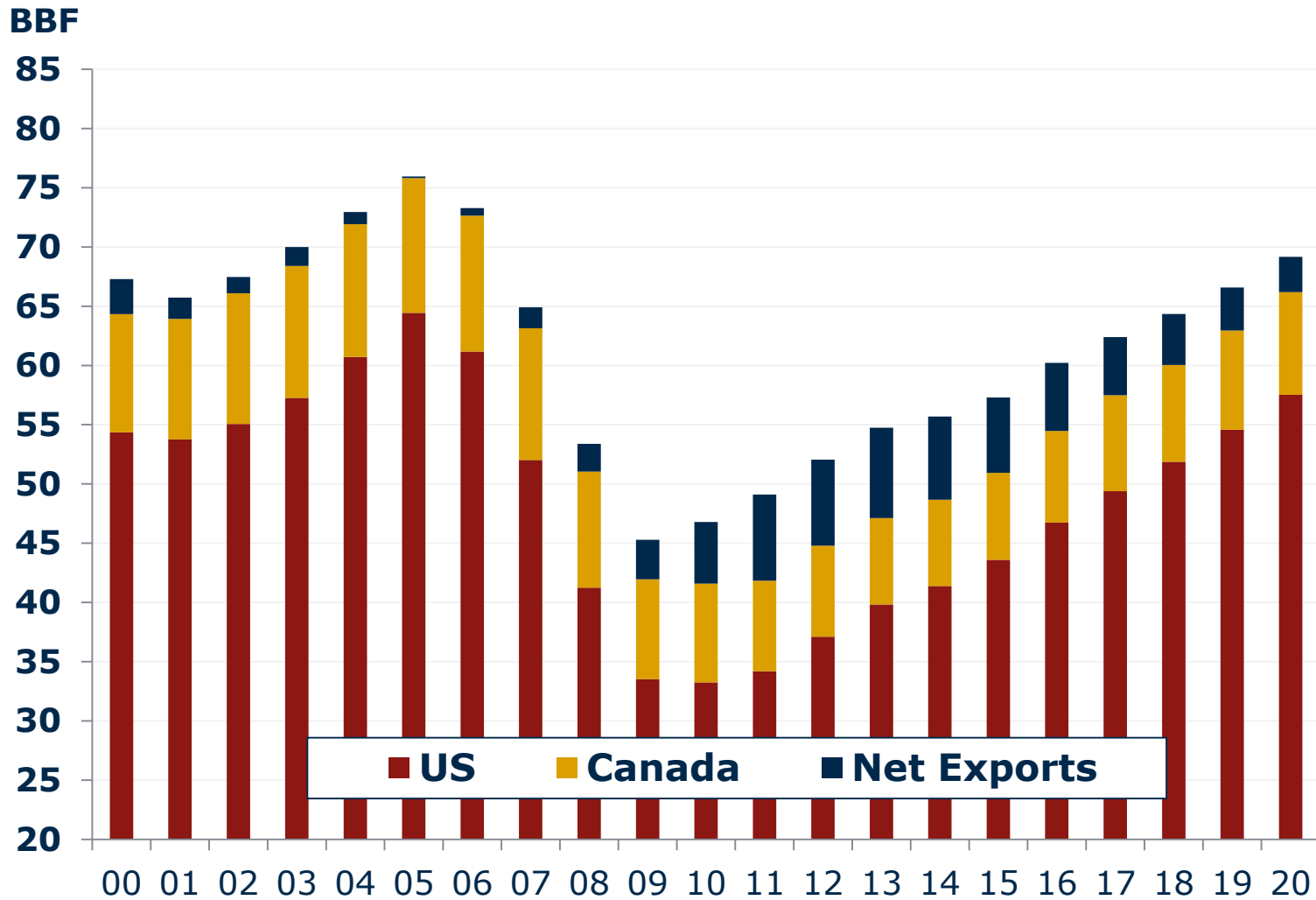
(1) Excludes the impact from market price changes.

# INDUSTRY INFORMATION

# US HOUSING STARTS



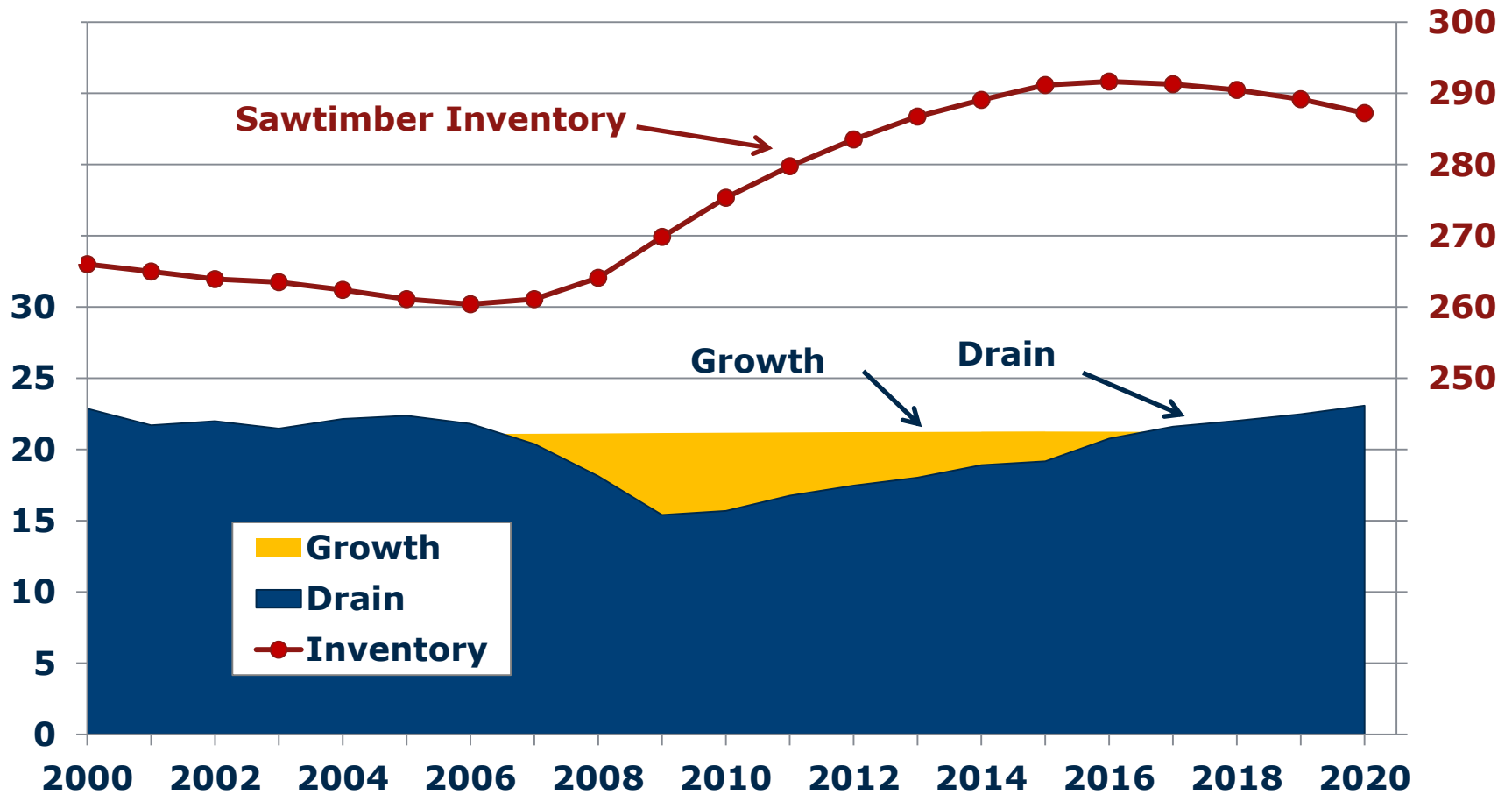
# DEMAND ON NORTH AMERICAN MILLS



# FAVOURABLE LOG SUPPLY IN US SOUTH

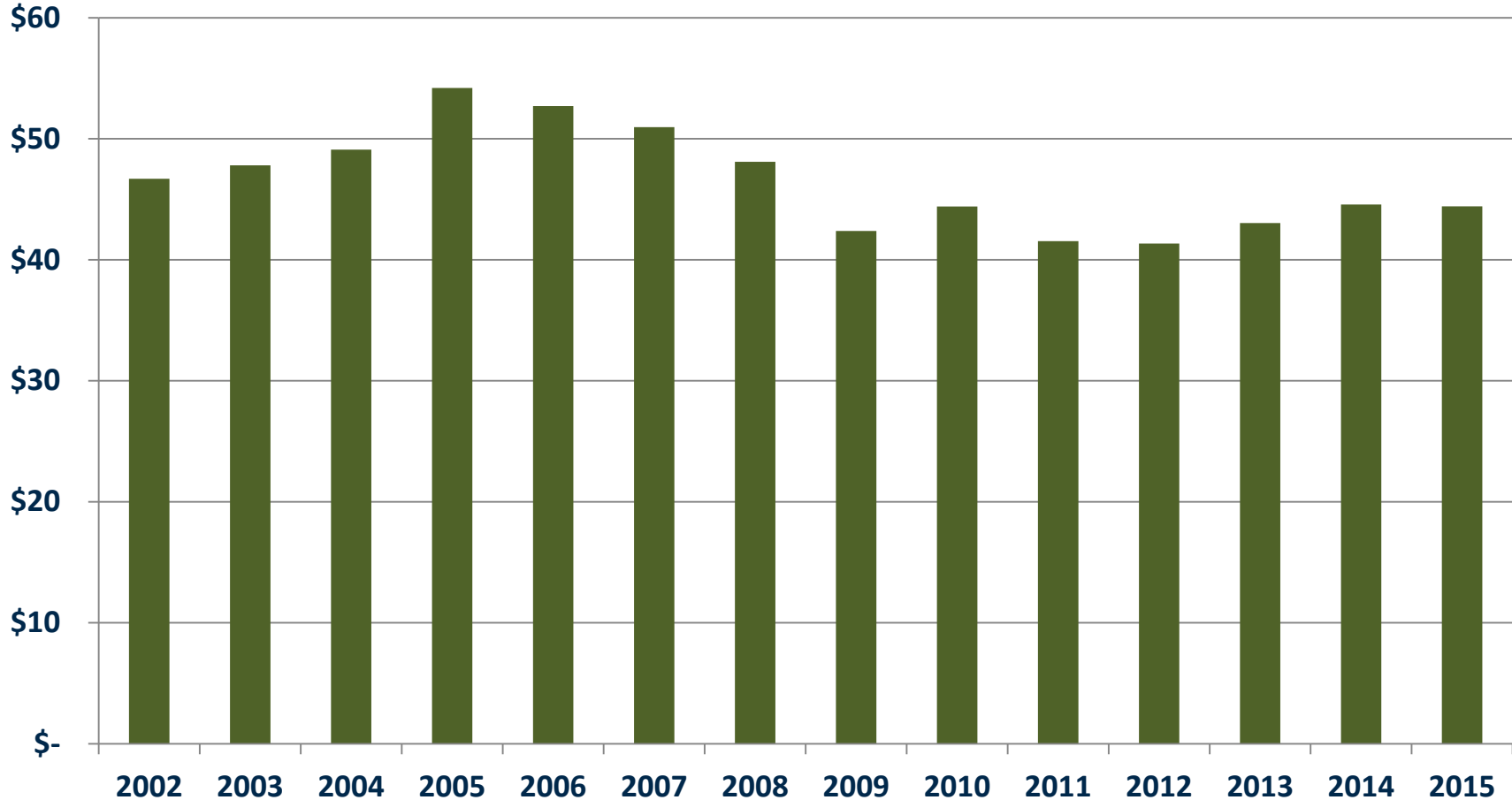
Growth & Drain, BBF Int'l 1/4"

Inventory, BBF Int'l 1/4"



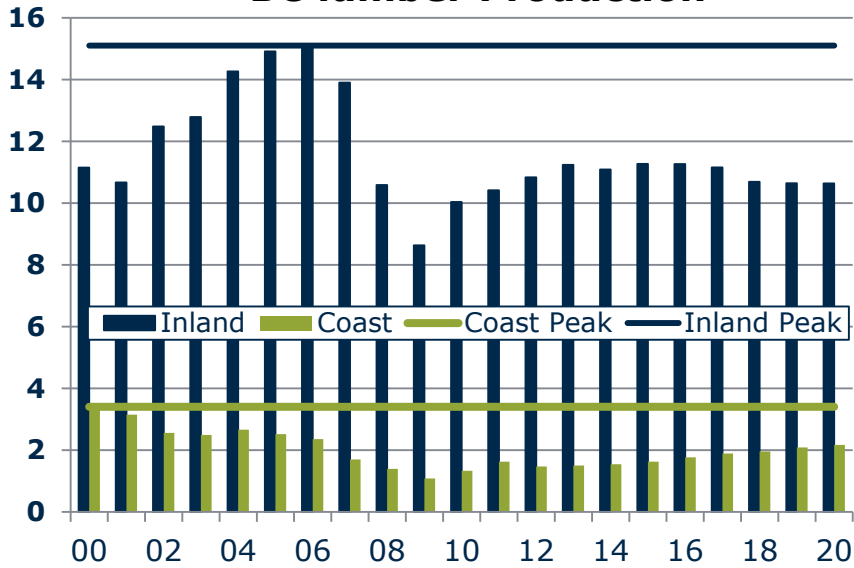
# US SOUTH SAWTIMBER PRICES

US\$/Ton  
(Nominal \$'s)

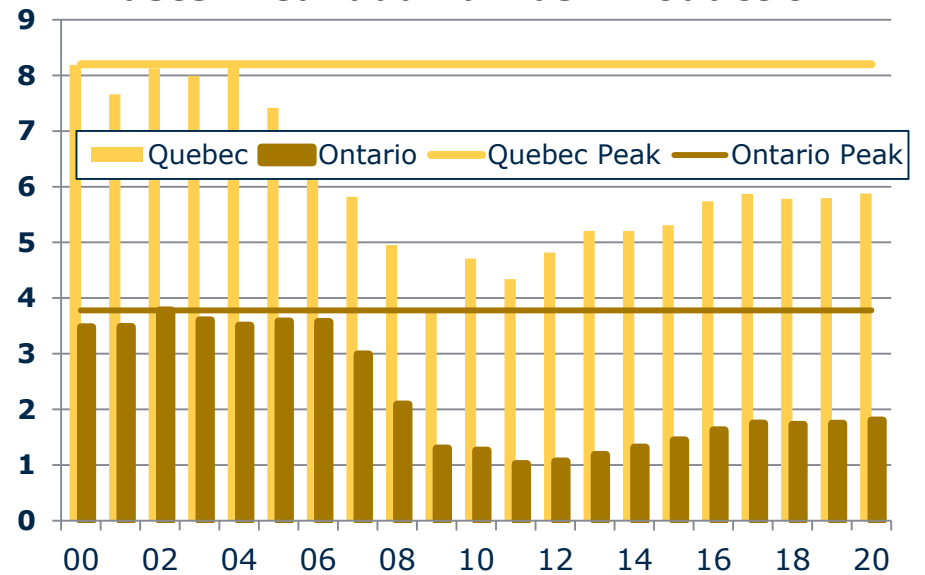


# REGIONAL PRODUCTION VS PEAK (Bbf)

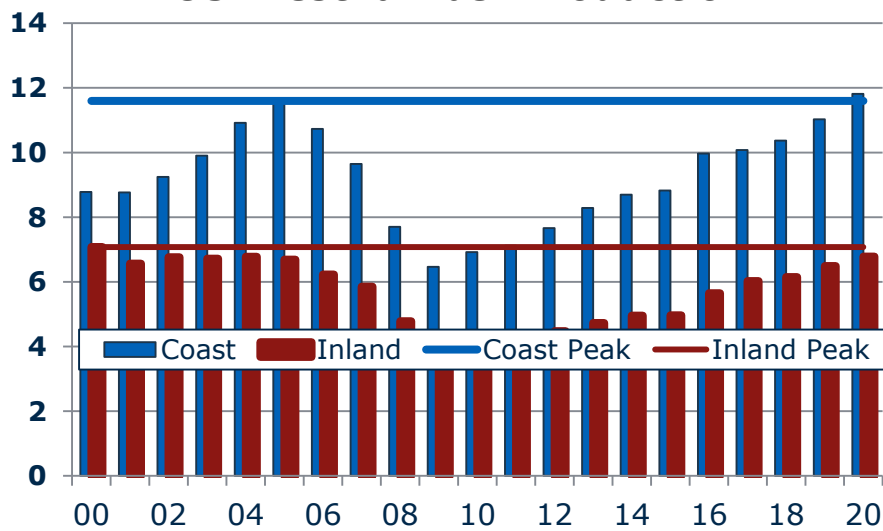
## BC Lumber Production



## Eastern Canada Lumber Production



## US West Lumber Production



## US South Lumber Production

