International Forest Products Limited

Vancouver, BC February 13, 2014

Interfor Reports Strong Q4 Results On Record Production and Sales
EBITDA[1] totals $36.2 million in the Quarter

INTERNATIONAL FOREST PRODUCTS LIMITED ("Interfor" or the "Company") (TSX: IFP.A) reported net earnings of $11.4 million or $0.18 per share in the fourth quarter of 2013, compared to net losses of $0.1 million or $0.00 per share in the third quarter and $3.8 million or $0.07 per share in the fourth quarter of 2012.

EBITDA, adjusted to exclude the effects of long-term incentive compensation and other items, was $36.2 million compared with $24.6 million in the third quarter of 2013 and $19.3 million in the fourth quarter of last year.

Lumber production in the fourth quarter was a record 470 million board feet, up 5% from the third quarter of 2013. Lumber sales, including wholesale and agency volumes, were a record 500 million board feet, up 12% versus the prior quarter.

The Company's fourth quarter results also benefited from a rise in commodity lumber prices. SPF 2x4 in the US market averaged US$370, up US$42 versus the third quarter. Hem-Fir studs increased US$41 to average US$374 while SYP 2x4 East increased US$22 to average US$415.

Long-term incentive compensation amounted to $5.2 million or $0.08 per share in the fourth quarter.

Export taxes on shipments to the US averaged 2% in the fourth quarter of this year versus 5% in the third quarter and an average of 8% in the fourth quarter last year.

In the fourth quarter, Interfor generated $35.2 million in cash from operations before working capital changes and $33.5 million after working capital changes. Capital spending amounted to $16.8 million during the quarter.

Net debt closed the quarter at $140.8 million or 21.5% of invested capital.

Subsequent to the quarter end, Interfor announced that it had reached an agreement with Ilim Timber Continental, S.A. ("Ilim Timber") to acquire Tolleson Ilim Lumber Company ("Tolleson") of Perry, Georgia, USA. Refer to the Company's news release dated February 9, 2014, for further information.

Though the US economic recovery remains fragile, expectations are that US housing starts and lumber prices will continue to improve in 2014. Export tax rates for the first two months of 2014 have been set at 0% as lumber prices remain above the relevant benchmark price. Demand in Japan is expected to be stable through the first half of 2014. Following the implementation of a VAT increase in April 2014, there is potential for a moderate reduction in demand as consumers adjust to higher housing prices. Demand and pricing in China are expected to remain stable across all product lines. Long-term interest rates are expected to increase while continued volatility in the value of the Canadian dollar is anticipated.

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[1] Adjusted to exclude the effects of long-term incentive compensation, foreign exchange gains (losses), other income (expense) and restructuring costs (refer to our MD&A prepared as of February 13, 2014 for the full definition)

Interfor will continue its disciplined approach to production, cost control, inventory management and capital spending to help position the Company to deliver above average returns on invested capital as conditions improve. At the same time, Interfor will remain alert to opportunities to position the Company for long-term success.

FORWARD-LOOKING STATEMENTS

This release contains information and statements that are forward-looking in nature, including, but not limited to, statements containing the words "will" and "is expected" 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: general economic and business conditions, product selling prices, raw material and operating costs, changes in foreign-currency exchange rates, and other factors referenced herein and in Interfor's Annual Report and Management Information Circular available on www.sedar.com. The forward-looking information and statements contained in this report 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. Our Company has annual production capacity of more than 2.2 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.

There will be a conference call on Friday, February 14, 2014 at 8:00 a.m. (Pacific Time) hosted by **INTERNATIONAL FOREST PRODUCTS LIMITED** for the purpose of reviewing the Company's release of its fourth quarter and fiscal 2013 financial results.

The dial-in number is ***1-866-323-8540***. The conference call will also be recorded for those unable to join in for the live discussion, and will be available until February 28, 2014. The number to call is ***1-866-245-6755, Passcode 582743.***

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FINANCIAL AND OPERATING HIGHLIGHTS[(1)]

	Unit	For the 3 months ended December 31, 2013	2012	For the year ended December 31, 2013	2012	2011
Financial Highlights[(2)]						
Total sales	$mm	315.3	222.4	1,105.2	849.2	758.2
Lumber	$mm	249.2	173.3	872.3	631.2	538.4
Logs	$mm	41.3	24.5	136.6	113.9	108.4
Wood chips and other residual products	$mm	20.0	15.9	72.4	69.4	68.4
Ocean freight and other	$mm	4.9	8.7	23.9	34.7	43.1
Operating earnings (loss)	$mm	13.7	(2.4)	52.5	(3.1)	(5.8)
Net earnings (loss)	$mm	11.4	(3.8)	42.2	(9.5)	(13.9)
Net earnings (loss) per share, basic and diluted	$/share	0.18	(0.07)	0.73	(0.17)	(0.26)
EBITDA[(3)]	$mm	31.4	13.0	115.8	50.2	46.7
Adjusted EBITDA[(3)]	$mm	36.2	19.3	134.0	59.9	46.8
Adjusted EBITDA margin[(3)]	%	11.5%	8.7%	12.1%	7.1%	6.2%
Total assets	$mm			824.1	632.0	614.8
Total long-term debt	$mm			145.5	135.0	110.7
Pre-tax return on total assets[(3)]	%			5.3%	-1.4%	-2.0%
Net debt to invested capital[(3)]	%			21.5%	24.2%	20.4%
Operating Highlights						
Lumber production	million fbm	470	347	1,725	1,351	1,264
Lumber sales	million fbm	500	384	1,761	1,432	1,301
Lumber - average selling price[(4)]	$/thousand fbm	498	452	495	441	414
Log production[(5)]	thousand cubic metres	965	748	3,598	3,296	3,408
Log sales[(5)]	thousand cubic metres	397	267	1,339	1,352	1,356
Logs - average selling price[(5)]	$/cubic metre	92	76	88	72	72

Notes:
1. (1) Figures in this table may not add due to rounding.
2. (2) Financial information presented for the annual periods is based on the Company's audited financial statements as at and for the years ended December 31, 2013, 2012 and 2011, prepared in accordance with IFRS. Financial information presented for quarterly periods is prepared in accordance with IFRS but is unaudited.
3. (3) Refer to the Non-GAAP Measures section of this news release for definitions and reconciliations of these measures to figures reported in the Company's consolidated financial statements.
4. (4) Gross sales before export taxes.
5. (5) For B.C. operations.

SUMMARY OF 2013 ANNUAL FINANCIAL PERFORMANCE

Sales

The Company realized $1.1 billion of total sales, up 30% from $849 million in 2012, driven by the sale of nearly 1.8 billion board feet of lumber at an average price of $495 per mfbm. Lumber sales volume and average selling price increased 23% and 12%, respectively, over 2012.

Higher North American pricing, supplemented by higher realizations in China and Japan and a weaker Canadian dollar, contributed to a $55 per mfbm average selling price improvement from 2012.

The 329 million board feet increase in lumber shipments from 2012 primarily reflects the addition of four U.S. Southeast sawmills, which contributed sales of 247 million board feet, and increased production from the B.C. Interior and U.S. Pacific Northwest operations.

Lumber shipments to China increased by 18%, as 2012 was affected by an oversupply in late 2011 and interest rate increases by the Chinese government. China remained a significant market for the Company, accounting for 17% of total lumber sales volume in 2013 (2012 - 17%). Lumber shipments to Japan improved marginally over 2012 levels.

Log sales of $136.6 million represents an increase of $22.7 million, or 20%, compared to 2012. A slight decline in sales volume from our B.C. operations was more than offset by a 22% increase in average selling price to $88 per cubic metre, reflecting improved lumber markets and a shift in mix to offshore markets.

Wood chips and other residual products revenue increased 4% from 2012 to $72.4 million, due mostly to higher volumes from increased sawmill production.

Ocean freight and other revenues decreased by $10.8 million from 2012 to $23.9 million, due mainly to lower ocean freight resulting from decreased break bulk volumes.

Operations

Production costs increased by 24% or $181.1 million over 2012, attributable primarily to the 23% increase in lumber shipments.

The $7.3 million decrease in export taxes from 2012 was due to higher commodity lumber prices, which resulted in the export tax rate under the Softwood Lumber Agreement ("SLA") averaging 2% of lumber sales from Canada to the U.S., compared to 11% in 2012.

Increased operating rates in the U.S. Pacific Northwest sawmills, a higher depreciation base for the rebuilt Grand Forks sawmill, and the inclusion of depreciation for the four acquired U.S. Southeast sawmills resulted in a $10.5 million increase in depreciation of plant and equipment as compared to 2012.

Corporate and Other

Long term incentive compensation ("LTIC") expense increased by 87% over 2012 to $18.8 million, reflecting changes in the estimated fair value of the share-based compensation plans. A 68% increase in the Company's share price during the year had the greatest impact on this expense.

Business development costs, including transaction and integration costs related to the acquisition of the four U.S. Southeast sawmills, and larger infrastructure to support the Company's growth contributed to the $8.1 million increase in selling and administration costs over 2012.

Income Taxes

The Company recorded income tax expense of $0.6 million and decreased its unrecognized deferred tax assets by $12.7 million in relation to certain unused tax losses that are available to be carried forward against future taxable income. Although the Company expects to realize the full benefit of the loss carry-forwards and other deferred tax assets, due to the cyclical nature of the wood products industry and the economic conditions over the last several years, the Company has not recognized the benefit of its deferred tax assets in excess of its deferred tax liabilities, except in limited circumstances.

The Company's Canadian non-capital loss carry forwards and U.S. net operating loss carry forwards totaling $276 million (2012 - $292 million) expire between 2023 and 2032, and are available to reduce future taxable income. The overall effective tax rate is significantly different from the Canadian statutory rate of 25.75% (2012 - 25%) due mainly to the decrease in unrecognized deferred tax assets of $12.7 million (2012 – increase of $2.4 million).

Net Earnings

The Company recorded net earnings of $42.2 million or $0.73 per share, compared to a net loss of $9.5 million or $0.17 per share in 2012. The improved performance was primarily the result of the addition of the four sawmills in the U.S. Southeast, increased lumber prices, record shipment volumes and lower export tax rates, offset partly by the cost of additional infrastructure required to support growth and the increase in LTIC expense.

SUMMARY OF FOURTH QUARTER 2013 FINANCIAL PERFORMANCE

Sales

The Company achieved $315.3 million of total sales in the fourth quarter of 2013, an improvement of $92.9 million over the same quarter of 2012. The majority of this improvement, amounting to $75.8 million, was driven by higher lumber sales.

Lumber shipments improved 30% over 2012 to reach a record level of 500 million board feet for the quarter. Sales volumes benefited from the four acquired U.S. Southeast sawmills and stronger domestic demand driven by improved U.S. housing starts, which increased 18% from 2012 to 923,000 units in 2013. Lumber sales averaged $498 per mfbm in the quarter, 10% higher than the same period of 2012. Higher North American pricing, supplemented by higher realizations in China and Japan and a weaker Canadian dollar were factors in this improvement.

Log sales revenue was $41.3 million in the quarter, up 68% from the comparable quarter of 2012. B.C. log sales volumes increased 130,000 cubic metres, or 49%, from the fourth quarter of 2012 due mainly to tight supply at the end of 2012 and increased logging rates in 2013. On the B.C. Coast, where the majority of Interfor's log sales are transacted, the price per cubic meter improved 18% as compared to the fourth quarter of 2012. This improvement reflects higher average overall log sales prices and a shift in mix to offshore markets.

Higher chip and residuals volumes from the addition of the four U.S. Southeast mills were partially offset by lower overall chip prices, which resulted in an increase of $4.1 million in wood chip and other residuals revenues for the quarter, as compared to the same period of 2012.

Operations

Production costs increased by 38% or $75.3 million as compared to the same period in 2012, driven mostly by the 30% increase in lumber shipments. The remainder of the cost increase is explained by higher log and conversion costs. Log costs increased due to higher logging and stumpage costs in the B.C. Interior, partially offset by the addition of lower log costs in the U.S. Southeast. Competition for logs from China spurred increased log costs for some of the Company's sawmills in the U.S. Pacific Northwest.

Elevated operating rates in the U.S. Pacific Northwest sawmills, a higher depreciation base for the rebuilt Grand Forks sawmill, and the inclusion of depreciation for the four acquired U.S. Southeast sawmills increased plant and equipment depreciation expense, as compared to the fourth quarter of 2012.

Corporate and Other

Business development costs and larger infrastructure required to support the Company's growth contributed to increased selling and administration costs over the comparable quarter of 2012.

Long term incentive compensation expense decreased by $1.0 million over the corresponding period of 2012, reflecting changes in the estimated fair value of the share-based compensation plans. The movement in the Company's share price had the greatest impact on this expense, as reflected by a 13% increase in the share price during the quarter versus a 35% increase over the same period of 2012.

Income Taxes

In the fourth quarter of 2013, the Company recorded income tax expense of $0.3 million (2012 - $0.1 million) and decreased its unrecognized deferred tax assets by $3.7 million (2012 – increased by $1.0 million) in relation to certain unused tax losses that are available to be carried forward against future taxable income.

Net Earnings

The Company recorded net earnings of $11.4 million or $0.18 per share, compared to a net loss of $3.8 million or $0.07 per share in fourth quarter of 2012. The improved performance was due mainly to the addition of the four sawmills in the U.S. Southeast, increased lumber prices, increased shipment volumes and lower export tax rates, offset partly by the cost of additional infrastructure required to support growth.

LIQUIDITY

Balance Sheet

The Company strengthened its financial position throughout 2013, ending the year with $140.8 million of net debt representing 21.5% of invested capital. Interfor's strong financial position benefited from $97.5 million of cash generated from operating activities in 2013.

As at December 31, 2013, the Company had net working capital of $118.2 million (2012 - $90.1 million), available operating and term lines of $186.4 million (2012 - $124.8 million) and unrestricted cash of $4.5 million (2012 - $14.3 million).

These resources, in addition to cash generated from operations, will be used to support our working capital requirements, debt servicing commitments and capital expenditures. The Company believes that it will have sufficient liquidity to satisfy the funding of operating and capital requirements for the foreseeable future.

Cash Flow From Operating Activities

The Company generated $123.7 million of cash flow from operations, before changes in working capital, an increase of 165% over 2012. This improvement was driven mainly by higher lumber shipments and lumber sales prices, a zero export tax rate for nine months of 2013, and positive contributions from the four newly acquired U.S. Southeast sawmills.

Increased sales volumes, lumber prices, manufacturing unit rates and log costs all contributed to an operating working capital cash utilization of $26.2 million, as compared to $1.3 million in 2012.
Total cash generated from operations after changes in working capital was $97.5 million, increased from $45.4 million for 2012. Throughout 2013, the Company focused on optimizing inventory levels, matching

production with export and domestic demand, and purchasing logs and producing products that would provide positive margins.

Cash Flow From Investing Activities

Cash capital expenditures totaled $68.2 million for 2013 (2012 - $60.8 million), with $14.9 million spent on high-return discretionary projects, $20.3 million on other business maintenance expenditures, and $33.0 million on road construction and timber licences. These investments included the installation of a Weinig moulder at the Gilchrist sawmill, and kiln projects at the Baxley, Swainsboro and Thomaston sawmills.

On March 1, 2013, the Company concluded the acquisition of Rayonier Inc.'s Wood Products Business in Georgia, U.S., consisting of three manufacturing facilities plus working capital for $86.6 million.

On May 1, 2013, the company acquired two timber tenures in the Kootenay Region of B.C. from Springer Creek Management Ltd. The tenures have a combined AAC of approximately 174,000 cubic metres and will support an increase in production at the Castlegar sawmill.

On July 1, 2013, the company acquired the Thomaston sawmill from Keadle Lumber Enterprises, Inc. in Georgia, U.S., including working capital, for $33.8 million. The Company will pay an additional US$7.0 million contingent upon receipt of an upgrade to the air permit which would allow the Company to operate a second shift. Receipt of this approval is expected in the first quarter of 2014, with payment to be made 365 days thereafter.

Cash Flow From Financing Activities

On September 30, 2013 the Company closed a public offering of 7,187,500 Class A Subordinate Voting shares at a price of $12.00 per share for proceeds of $82.4 million, net of $3.9 million in transaction costs. The proceeds were used to fund completion of capital projects and reduce debt. No shares were issued in 2012.

During 2013, the Company funded its U.S. Southeast acquisitions and capital improvements with drawings of US$85.2 million under its Revolving Term Line, and the issuance of US$50.0 million of Series A Senior Secured Notes ("Senior Secured Notes") on June 26, 2013.

Interfor also utilized its operating lines in 2013 for net drawings of $9.2 million, including $7.5 million in outstanding letters of credit (2012 – $5.2 million letters of credit).

Summary of Contractual Obligations

The payments due in respect of contractual and legal obligations, including projected major capital improvements, are summarized as follows:

	Total	Up to 1 year	2-3 years	4-5 years	After 5 years
		Payments due by period (millions of dollars)			
Trade accounts payable and accrued liabilities	$ 81.8	$ 81.8	$ -	$ -	$ -
Income taxes payable	0.4	0.4	-	-	-
Long term debt	145.5	-	0.7	91.6	53.2
Reforestation liability	33.3	11.8	8.1	6.1	7.3
Provisions and other liabilities	40.9	15.9	9.6	2.0	13.5
Operating leases and contractual commitments	31.0	12.3	9.5	4.7	4.5
Total contractual obligations (1)	$ 332.8	$ 122.1	$ 27.9	$ 104.3	$ 78.5

Note: (1) Figures in this table may not add due to rounding.

CAPITAL RESOURCES

As at December 31, 2013, the Company had an Operating Line of $65.0 million. Drawings under this line are subject to borrowing base calculations dependent upon accounts receivable, inventories and certain accounts payable. At year end, the Company had borrowings of $8.5 million, including letters of credit, with available credit of $56.5 million.

On February 27, 2013, the Company extended the maturities of its Operating Line and Revolving Term Line to February 27, 2017 and increased the credit available under the Revolving Term Line from $200 million to $250 million. Subsequent to the issuance of US$50 million of Senior Secured Notes on June 26, 2013, the credit available on the Revolving Term Line was reduced from $250 million to $200 million. All other terms and conditions of this line remained unchanged except for a reduction in pricing. As at December 31, 2013, the Revolving Term Line was drawn by $90.6 million (December 31, 2012 – $135.0 million), leaving available capacity of $109.4 million (2012 - $65.0 million).

On May 24, 2013, the Company entered into an agreement with a U.S. lender for a US$20 million operating line. The U.S. Operating Line is secured by accounts receivable and inventories of the Company's wholly-owned subsidiary, Interfor U.S. Inc., and matures on April 28, 2015. As at December 31, 2013, the U.S. Operating Line was drawn by US$0.7 million, revalued at the year-end exchange rate to $0.7 million.

On June 26, 2013, the Company issued US$50.0 million of Series A Senior Secured Notes, bearing interest at 4.33%. The notes are subject to certain financial covenants including a minimum working capital requirement, a maximum ratio of total debt to total capitalization and a minimum net worth calculation. Payments of US$16.7 million are required on each of June 26, 2021 and 2022, with the balance due on June 26, 2023. As at December 31, 2013, the Senior Secured Notes were revalued at the year-end exchange rate to $53.2 million.

TRANSACTIONS BETWEEN RELATED PARTIES

On August 23, 2013, the Company's controlling shareholder, Sauder Industries Limited ("SIL") exercised its right under the Company's Articles to exchange its Class B Common Shares for Class A Subordinate Voting Shares on a share for share basis without any cash or non-cash consideration and ceased to be a significant shareholder.

Prior to August 23, 2013, the Company had lumber sales to SIL in the amount of $0.5 million (2012 - $1.1 million). These transactions were conducted on a normal commercial basis, including terms and prices and did not result in any ongoing contractual or other commitments.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has off-balance sheet arrangements which include letters of credit and surety performance bonds, primarily for timber sales. These are more fully described in Note 10 and Note 20(c) of the Company's 2013 consolidated financial statements. At December 31, 2013, such instruments aggregated $26.7 million (2012 - $23.0 million). Off-balance sheet arrangements have not had, and are not reasonably likely to have, any material impact on the Company's current or future financial condition, results of operations or cash flows.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

From time to time, the Company employs financial instruments, such as interest rate swaps and foreign currency forward and option contracts, to manage exposure to fluctuations in interest rates and foreign exchange rates. The Company also trades lumber futures to manage price risk. The Company's policy is not to use derivatives for trading or speculative purposes. Risk management strategies and relationships are formally documented and assessed on a regular, ongoing basis to ensure derivatives are effective in offsetting changes in fair values or cash flows of hedged items.

The counter-parties for all derivative contracts, except lumber futures, are the Company's Canadian bankers who are highly-rated and, hence, the risk of credit loss on such instruments is mitigated.

Interest Rate Swaps

As at December 31, 2013, Interfor had drawn $92.3 million of floating rate debt, excluding letters of credit, from its operating and term credit facilities, and $53.2 million of fixed rate debt through the Senior Secured Notes.

The Company's operating and term credit facilities bear interest at the bank prime rate plus a premium, or, at the Company's option, at rates for Bankers' Acceptances for Canadian dollar loans or at LIBOR for U.S. dollar loans, in all cases dependent upon a financial ratio. The Senior Secured Notes bear interest at 4.33%.

On August 25, 2011, the Company entered into two interest rate swaps, each with a notional value of $25 million and maturing July 28, 2015. Under the terms of these swaps, the Company paid an amount based on a fixed annual interest rate of 1.56% and received a 90 day BA CDOR which was recalculated at set interval dates. These interest rate swaps were unwound on October 22, 2013.

On March 25, 2013, the Company entered into two additional interest rate swaps, each with a notional value of US$25.0 million and maturing February 17, 2017. Under the terms of these swaps, the Company pays an amount based on a fixed annual interest rate of 0.84% and receives a 90 day LIBOR which is recalculated at set interval dates.

The intent of these interest rate swaps is to convert floating-rate interest expense to fixed-rate interest expense. As these swaps have been designated as cash flow hedges the fair value of these interest rate swaps at December 31, 2013, being an asset of $0.2 million (measured based on Level 2 of the fair value hierarchy), has been recorded in Trade accounts receivable and other (2012 - $0.1 million in Trade accounts payable and provisions) and a gain of $0.2 million (2012 - $0.4 million gain) has been recognized in Other comprehensive income.

Based on the Company's average debt level during 2013, the sensitivity of a 100 basis point increase in interest rates would result in an approximate decrease of $0.5 million in Net earnings.

Foreign Currency Forward Exchange Contracts

The Company actively manages its currency exchange risk for fluctuations in U.S. dollars and Japanese Yen by identifying opportunities to enter into foreign exchange contracts and options to effectively hedge its net exposure. As at December 31, 2013, the Company had outstanding foreign currency forward contract obligations to sell a maximum of US$8.0 million at an average rate of CAD$1.0653 per U.S. dollar and ¥145 million at an average rate of ¥96.95 per U.S. dollar during 2014. All foreign currency gains or losses in 2013 have been recognized in Other foreign exchange gain (loss) in Net earnings and the fair value of the foreign currency contracts has been recorded as an asset of $0.1 million in Trade accounts receivable and other (2012 - $0.1 million asset recorded in Trade accounts receivable and other).

Based on the Company's net exposure to foreign currencies resulting from forward contracts in 2013, the sensitivity of Interfor's net earnings is as follows:

US$	$0.01 increase vs. CAD$	$2.6 million increase in net income
Japanese Yen	1¥ increase vs. US$	$0.1 million increase in net income

Interfor's U.S. operations produce and sell products almost exclusively for the U.S. market, with all revenues and expenses denominated in U.S. dollars. All foreign currency denominated assets and liabilities of Interfor's U.S. foreign operations with a U.S. dollar functional currency are translated at exchange rates in effect at the Consolidated Statement of Financial Position date. Revenues and expenses are translated at transaction date or average rates for the period as appropriate. Unrealized gains and losses arising upon translation of net foreign currency investment positions in U.S. dollar functional currency foreign operations, together with any gain or losses arising from hedges of those net investment positions, to the extent effective, are credited or charged to net change in unrealized foreign currency translation gains (losses) in the Consolidated Statement of Comprehensive Income. Upon sale, reduction or substantial liquidation of an investment position, the previously recorded net unrealized gains (losses) thereon in the Translation reserve are reclassified to the Consolidated Statement of Earnings.

The Company recorded an $8.4 million unrealized foreign exchange gain on translation of its U.S. operations with a U.S. dollar functional currency to Other comprehensive income (loss) in 2013 (2012 - $2.9 million loss).

As at December 31, 2013, the Company had designated the US$85.2 million drawn under its Revolving Term Line and US$50.0 million drawn under its Senior Secured Notes as hedges against the investment in its U.S. operations. Unrealized foreign exchange losses of $6.2 million have been recorded in Other comprehensive income (loss) in 2013 (2012 - $0.7 million gain).

Lumber Futures

To manage price risk, the Company also traded lumber futures which were designated as held for trading with changes in fair value recorded within Other income in Net earnings. At December 31, 2013, there were no outstanding lumber futures contracts and a gain of $0.1 million was recognized in Other income on completed contracts during the year (2012 – negligible gain).

OUTSTANDING SHARES

As of February 13, 2014, Interfor had 63,050,455 Class A Subordinate Voting Shares issued and outstanding. These shares are listed on the Toronto Stock Exchange under the symbol IFP.A.

CONTROLS AND PROCEDURES

The Company's management, under the supervision of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), has evaluated the design and effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2013.

The Company's management, under the supervision of the CEO and CFO, has evaluated the design and effectiveness of the Company's internal controls over financial reporting ("ICFR") based on the criteria established within the 1992 COSO framework. Based on this evaluation, the CEO and CFO have concluded that the Company's ICFR were effective as of December 31, 2013.

The CEO and CFO acknowledge responsibility for the design of ICFR and confirm that there were no changes in these controls that occurred during the year ended December 31, 2013, which materially affected, or are reasonably likely to materially affect, the Company's ICFR. The operations in Georgia acquired during 2013 have been in compliance with the Company's ICFR since acquisition.

NON-GAAP MEASURES

This news release makes reference to the following non-GAAP measures: EBITDA, Adjusted EBITDA, Pre-tax return on total assets and Net debt to 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 audited annual (and unaudited interim) consolidated financial statements prepared in accordance with IFRS:

	For the 3 months ended December 31,		For the year ended December 31,		
Thousands of Canadian dollars	2013	2012	2013	2012	2011
Adjusted EBITDA					
Net earnings (loss)	11,431	(3,827)	42,239	(9,474)	(13,919)
Add:					
Depreciation of plant and equipment	11,040	7,565	39,206	28,745	27,291
Depletion and amortization of timber, roads and other	6,253	7,528	23,061	23,648	24,263
Restructuring costs, asset write-downs and other costs	49	283	371	529	580
Finance costs	2,097	1,549	9,069	6,441	7,073
Other foreign exchange (gains) losses	211	(174)	1,250	(189)	25
Income tax expense	324	83	555	458	1,366
EBITDA	31,405	13,007	115,751	50,158	46,679
Add:					
Long term incentive compensation expense	5,205	6,245	18,841	10,065	449
Other (income) expense	(375)	5	(602)	(334)	(371)
Adjusted EBITDA	36,235	19,257	133,990	59,889	46,757
Pre-tax return on total assets					
Earnings (loss) before income taxes			42,794	(9,016)	(12,553)
Add:					
Restructuring costs, asset write-downs and other costs			371	529	580
Other foreign exchange (gains) losses			1,250	(189)	25
Other (income) expense			(602)	(334)	(371)
			43,813	(9,010)	(12,319)
Total assets, period end			824,126	632,040	614,836
Pre-tax return on total assets			5.3%	-1.4%	-2.0%
Net debt to invested capital					
Net debt					
Long term debt			145,479	135,046	110,713
Less: Cash and cash equivalents			(4,717)	(14,994)	(10,435)
Total net debt			140,762	120,052	100,278
Invested capital					
Net debt			140,762	120,052	100,278
Shareholders' equity			515,137	376,030	390,822
Total invested capital			655,899	496,082	491,100
Net debt to invested capital			21.5%	24.2%	20.4%

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the three months and years ended December 31, 2013 and 2012 (unaudited)

(thousands of Canadian dollars except earnings per share)	3 Months Dec. 31, 2013	3 Months Dec. 31, 2012	Year Dec. 31, 2013	Year Dec. 31, 2012
		Re-stated (note 3(a))		Re-stated (note 3(a))
Sales	$ 315,318	$ 222,400	$ 1,105,222	$ 849,196
Costs and expenses:				
Production (note 3(a))	271,535	196,213	940,667	759,544
Selling and administration	6,958	5,162	28,829	20,719
Long term incentive compensation expense	5,205	6,245	18,841	10,065
Export taxes	590	1,768	1,736	9,044
Depreciation of plant and equipment (note 9)	11,040	7,565	39,206	28,745
Depletion and amortization of timber, roads and other (note 9)	6,253	7,528	23,061	23,648
	301,581	224,481	1,052,340	851,765
Operating earnings (loss) before restructuring costs	13,737	(2,081)	52,882	(2,569)
Restructuring costs and write-down of roads	(49)	(283)	(371)	(529)
Operating earnings (loss)	13,688	(2,364)	52,511	(3,098)
Finance costs (notes 3(a) and 8)	(2,097)	(1,549)	(9,069)	(6,441)
Other foreign exchange gain (loss)	(211)	174	(1,250)	189
Other income (loss)	375	(5)	602	334
	(1,933)	(1,380)	(9,717)	(5,918)
Earnings (loss) before income taxes	11,755	(3,744)	42,794	(9,016)
Income tax expense (recovery):				
Current	367	137	463	640
Deferred	(43)	(54)	92	(182)
	324	83	555	458
Net earnings (loss)	$ 11,431	$ (3,827)	$ 42,239	$ (9,474)
Net earnings (loss) per share, basic and diluted (note 10)	$ 0.18	$ (0.07)	$ 0.73	$ (0.17)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and years ended December 31, 2013 and 2012 (unaudited)

	3 Months Dec. 31, 2013	3 Months Dec. 31, 2012	Year Dec. 31, 2013	Year Dec. 31, 2012
		Re-stated (note 3(a))		Re-stated (note 3(a))
Net earnings (loss)	$ 11,431	$ (3,827)	$ 42,239	$ (9,474)
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to net earnings:				
Defined benefit plan actuarial gains (losses) (note 3(a))	942	637	5,832	(2,800)
Items that are or may be reclassified subsequently to net earnings (loss):				
Foreign currency translation differences – foreign operations	3,759	1,492	8,167	(2,805)
Gain in fair value of interest rate swaps (note 12)	23	90	241	371
Reclassification of loss in fair value of interest rate swaps to net earnings (loss) (note 12)	-	-	58	-
Income tax recovery (expense) on other comprehensive income	-	44	212	(84)
Total items that are or may be reclassified subsequently to net earnings:	3,782	1,626	8,678	(2,518)
Total other comprehensive income (loss), net of tax	4,724	2,263	14,510	(5,318)
Total comprehensive income (loss) for the period	$ 16,155	$ (1,564)	$ 56,749	$ (14,792)

See accompanying notes to consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013 and 2012 (unaudited)

(thousands of Canadian dollars)

	2013	2012
		Re-stated (note 3(a))
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	$ 42,239	$ (9,474)
Items not involving cash:		
Depreciation of plant and equipment	39,206	28,745
Depletion and amortization of timber, roads and other	23,061	23,648
Income tax expense	555	458
Finance costs (note 3(a) and 8)	9,069	6,441
Other assets	884	(1,953)
Reforestation liability	2,599	(516)
Other liabilities and provisions	6,612	(710)
Write-down of roads	-	164
Foreign exchange losses (gains)	(14)	150
Other	(484)	(309)
	123,727	46,644
Cash generated from (used in) operating working capital:		
Trade accounts receivable and other	(9,667)	(3,798)
Inventories	(40,866)	(879)
Prepayments	493	(1,087)
Trade accounts payable and accrued liabilities	24,495	5,592
Income taxes paid	(652)	(1,090)
	97,530	45,382
Investing activities:		
Additions to property, plant and equipment	(33,038)	(39,830)
Additions to logging roads	(18,676)	(20,662)
Additions to timber and other intangible assets	(16,531)	(319)
Proceeds on disposal of property, plant, and equipment	2,089	537
Acquisitions (note 4)	(120,407)	-
Investments and other assets	(108)	(298)
	(186,671)	(60,572)
Financing activities:		
Issuance of share capital, net of share issue expenses (note 7)	82,358	-
Interest payments	(7,142)	(5,241)
Debt refinancing costs	(1,460)	-
Additions to long-term debt (notes 4 and 6)	326,738	82,000
Repayments of long-term debt (note 6)	(322,517)	(57,000)
	77,977	19,759
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	887	(10)
Increase (decrease) in cash	(10,277)	4,559
Cash and cash equivalents, beginning of period	14,994	10,435
Cash and cash equivalents, end of period	$ 4,717	$ 14,994

See accompanying notes to consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and December 31, 2012 (unaudited)

(thousands of Canadian dollars)	Dec. 31, 2013	Dec. 31, 2012
Assets		
Current assets:		
Cash and cash equivalents (note 6)	$ 4,717	$ 14,994
Trade accounts receivable and other	62,735	47,392
Inventories (note 5)	149,509	98,024
Prepayments	11,374	11,749
	228,335	172,159
Employee future benefits	3,980	878
Other investments and assets	3,960	4,198
Property, plant and equipment	460,930	349,779
Logging roads and bridges	16,224	17,316
Timber licences	84,344	73,796
Other intangible assets	2,420	738
Goodwill	23,715	13,078
Deferred income taxes	218	98
	$ 824,126	$ 632,040
Liabilities and Equity		
Current liabilities:		
Trade accounts payable and provisions	$ 98,017	$ 70,597
Reforestation liability	11,754	10,864
Income taxes payable	395	593
	110,166	82,054
Reforestation liability	20,662	17,621
Long term debt (note 6)	145,479	135,046
Employee future benefits	7,006	9,631
Other liabilities and provisions (note 13)	25,676	11,658
Equity:		
Share capital (note 7)		
Class A subordinate voting shares	428,723	342,285
Class B common shares	-	4,080
Contributed surplus	7,476	7,476
Reserves	728	(7,950)
Retained earnings	78,210	30,139
	515,137	376,030
	$ 824,126	$ 632,040

Commitment (note 13)
Subsequent event (note 14)

See accompanying notes to consolidated financial statements
On behalf of the Board:

L. Sauder
Director

D. Whitehead
Director

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2013 and 2012 (unaudited)

(thousands of Canadian dollars)	Class A Share Capital	Class B Share Capital	Contributed Surplus	Translation Reserve	Hedging Reserve	Retained Earnings	Total
Balance at December 31, 2011	$ 342,285	$ 4,080	$ 7,476	$ (4,929)	$ (503)	$ 42,413	$ 390,822
Net earnings (loss):	-	-	-	-	-	(9,474)	(9,474)
Other comprehensive earnings (loss):							
Foreign currency translation differences, net of tax	-	-	-	(2,889)	-	-	(2,889)
Defined benefit plan actuarial gains (losses) (note 3(a))	-	-	-	-	-	(2,800)	(2,800)
Gain in fair value of interest rate swaps	-	-	-	-	371	-	371
Balance at December 31, 2012	$ 342,285	$ 4,080	$ 7,476	$ (7,818)	$ (132)	$ 30,139	$ 376,030
Net earnings (loss):	-	-	-	-	-	42,239	42,239
Other comprehensive earnings (loss):							
Foreign currency translation differences, net of tax	-	-	-	8,379	-	-	8,379
Defined benefit plan actuarial gains (losses)	-	-	-	-	-	5,832	5,832
Gain in fair value of interest rate swaps	-	-	-	-	241	-	241
Reclassification of loss in fair value of interest rate swaps to net earnings	-	-	-	-	58	-	58
Contributions:							
Share issuance, net of share issue expenses (note 7)	82,358	-	-	-	-	-	82,358
Share exchange (note 7)	4,080	(4,080)	-	-	-	-	-
Balance at December 31, 2013	$ 428,723	$ -	$ 7,476	$ 561	$ 167	$ 78,210	$ 515,137

See accompanying notes to consolidated financial statements

(Tabular amounts expressed in thousands of Canadian dollars except number of shares and per share amounts)

1. Nature of operations:

International Forest Products Limited and its subsidiaries (the "Company" or "Interfor") produce wood products in British Columbia, the U.S. Pacific Northwest and the U.S. Southeast for sale to markets around the world.

The Company is incorporated under the Business Corporations Act (British Columbia) with shares listed on the Toronto Stock Exchange. Its head office, principal address and records office are located at Suite 3500, 1055 Dunsmuir Street, Vancouver, British Columbia, Canada, V7X 1H7.

The unaudited condensed consolidated interim financial statements of the Company as at and for the three months and years ended December 31, 2013 and 2012 comprise the Company and its subsidiaries.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements were approved by the Board of Directors on February 13, 2014.

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

(i) Derivative financial instruments are measured at fair value;

(ii) Liabilities for cash-settled share-based payment arrangements are measured at fair value; and

(iii) Employee benefit plan assets and liabilities are recognized as the net of the fair value of the plan assets and the present value of the benefit obligations on a plan by plan basis.

The functional and presentation currency of the parent company is Canadian dollars.

3. Significant accounting policies:

These condensed consolidated interim financial statements have been prepared using the significant accounting policies and methods of computation consistent with those applied in the Company's December 31, 2012 annual consolidated financial statements, except for the accounting policy adopted subsequent to that date, as discussed below.

(a) Changes in accounting policy:

Effective January 1, 2013, IAS 19, Employee Benefits, was revised to eliminate the option to defer recognition of gains and losses, known as the "corridor method", and to enhance disclosure requirements for defined benefit plans. As the Company did not choose the corridor method in accounting for its defined benefit plans, there is no impact on its financial statements as a result of the elimination of this option.

Application of this standard also impacts the calculation of finance costs, resulting in an increase to Production expense and Finance costs in the Statement of Earnings, which will be fully offset by an increase (decrease) in Defined benefit plan actuarial gains (losses) in the Statement of Comprehensive Income. Prior to this standard, the impact of defined benefit plans on Net earnings included an interest cost on the obligation using the discount rate (based on current bond yields), and a credit on the plan assets using the expected rate of return (based on long term expected bond and equity returns). Under the new standard, the credit on plan assets no longer recognizes the equity risk premium and is based on the discount rate only.

The policy has been applied on a retrospective basis and comparative information has been restated. The following changes to historical financial statements have been made to reflect the new policy:

	As previously reported	Adjustment	Restated
For the three months ended December 31, 2012			
Statement of Earnings			
Production	$ 196,037	$ 176	$ 196,213
Finance costs	1,527	22	1,549
Net loss	(3,629)	(198)	(3,827)
Statement of Comprehensive Income			
Defined benefit plan actuarial gains (losses)	439	198	637
Other comprehensive income (loss)	2,065	198	2,263
For the year ended December 31, 2012			
Statement of Earnings			
Production	758,893	651	759,544
Finance costs	6,324	117	6,441
Net loss	(8,706)	(768)	(9,474)
Statement of Comprehensive Income			
Defined benefit plan actuarial gains (losses)	(3,568)	768	(2,800)
Other comprehensive income (loss)	(6,086)	768	(5,318)

(Tabular amounts expressed in thousands of Canadian dollars except number of shares and per share amounts)

3. Significant accounting policies (continued):

(a) Change in accounting policy (continued):

There are no changes to previously issued Statements of Financial Position as a result of this change in accounting policy.

Effective January 1, 2013, IFRS 13, *Fair Value Measurement*, replaced the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and established new requirements for fair value measurements and disclosures. The new standard is applied prospectively and will require more extensive disclosure, but has no impact on the Company's financial information.

(b) New standards and interpretations not yet adopted:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements. The following pronouncement is considered by the Company to be the most significant of several pronouncements that may affect the financial statements.

IFRS 9, Financial Instruments, replaces the multiple classification and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, with a single model that has only two classification categories: amortized cost and fair value. This standard is in effect for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company does not expect this standard to have a significant effect on its financial statements.

4. Acquisitions:

On March 1, 2013, the Company concluded the acquisition of Rayonier Inc.'s Wood Products Business in Georgia, U.S.A. ("U.S. Southeast") for US$84,355,000.

On July 1, 2013, the Company acquired the sawmill operations of Keadle Lumber Enterprises, Inc. in Thomaston, Georgia for US$39,104,000, of which US$32,104,000 had been paid as at December 31, 2013. The Company will pay an additional US$7,000,000, contingent upon receipt of an upgrade to the air permit which will allow the Company to operate a second shift. Receipt of this approval is expected in the first quarter, 2014, with the payment to be made 365 days thereafter.

Transaction costs of $1,077,000 related to the acquisitions have been expensed in Selling and administration in 2013, all in the first three quarters, 2013.

The purchase price of each of these acquisitions has been allocated to the fair value of assets acquired and related liabilities arising from the transactions on a preliminary basis, based on management's best estimates and taking into account all available information to December 31, 2013. As updated information is available, further analysis may result in a refinement to the values attributable to assets and liabilities arising on the acquisition.

These acquisitions have been accounted for using the acquisition method and the purchase price is allocated as follows:

	Rayonier acquisition	Keadle acquisition	Total
Net assets acquired:			
Current assets	$ 10,730	$ 2,283	$ 13,013
Property, plant and equipment	76,516	28,337	104,853
Goodwill	-	10,518	10,518
	87,246	41,138	128,384
Current liabilities assumed	(605)	(9)	(614)
	$ 86,641	$ 41,129	$ 127,770
Cash consideration funded by:			
Cash on hand	$ 7,223	$ -	$ 7,223
Operating Line	27,848	-	27,848
Revolving Term Line	51,570	33,766	85,336
Provisions and other liabilities (note 14)	-	7,363	7,363
	$ 86,641	$ 41,129	$ 127,770

Since acquisition, the U.S. Southeast divisions contributed sales of $121,398,000 and earnings of $14,733,000 to the Company's results. If the acquisitions had occurred on January 1, 2013, management estimates that Sales would have been $1,140,751,000 and Net earnings for the period would have been $48,011,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2013.

(Tabular amounts expressed in thousands of Canadian dollars except number of shares and per share amounts)

5. Inventories:

	Dec. 31, 2013	Dec. 31, 2012
Logs	$ 89,170	$ 59,772
Lumber	51,449	31,833
Other	8,890	6,419
	$ 149,509	$ 98,024

Inventory expensed in the period includes production costs, amortization of plant and equipment, and depletion and amortization of timber, roads and other. The inventory writedown in order to record inventory at the lower of cost and net realizable value at December 31, 2013 was $7,926,000 (2012 - $7,050,000).

6. Cash and borrowings:

December 31, 2013	Canadian Operating Line	Revolving Term Line	Senior Secured Notes	U.S. Operating Line	Total
Available line of credit	$ 65,000	$ 200,000	$ 53,180	$ 21,272	$ 339,452
Maximum borrowing available	65,000	200,000	53,180	21,272	339,452
Drawings	936	90,619	53,180	744	145,479
Outstanding letters of credit included in line utilization	7,529	-	-	-	7,529
Unused portion of line	$ 56,535	$ 109,381	$ -	$ 20,528	$ 186,444
December 31, 2012					
Available line of credit	$ 65,000	$ 200,000	$ -	$ -	$ 265,000
Maximum borrowing available	65,000	200,000	-	-	265,000
Drawings	-	135,046	-	-	135,046
Outstanding letters of credit included in line utilization	5,190	-	-	-	5,190
Unused portion of line	$ 59,810	$ 64,954	$ -	$ -	$ 124,764

(a) Canadian Operating Line:

The terms and conditions of this line remain unchanged except for a reduction in pricing.

The Canadian operating line of credit ("Operating Line") may be drawn in either CAD$ or US$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases dependent upon a financial ratio of total debt divided by twelve months' trailing EBITDA[1]. Borrowing levels under the line are subject to a borrowing base calculation dependent on certain accounts receivable and inventories.

The Operating Line is secured by a general security agreement which includes a security interest in all accounts receivable and inventories, charges against timber tenures, and mortgage security on sawmills. The Operating Line is subject to certain financial covenants including a minimum working capital requirement, a maximum ratio of total debt to total capitalization and a minimum net worth calculation.

On February 27, 2013, the Company extended the maturity of its existing Operating Line to February 27, 2017.

(b) Revolving Term Line:

The Revolving Term Line may be drawn in either CAD$ or US$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases dependent upon a financial ratio of total debt divided by twelve months' trailing EBITDA[1].

The Revolving Term Line is secured by a general security agreement which includes a security interest in all accounts receivable and inventories, charges against timber tenures, and mortgage security on sawmills. The term line is subject to certain financial covenants including a minimum working capital requirement, a maximum ratio of total debt to total capitalization and a minimum net worth calculation.

On February 27, 2013, the Company extended the maturity of its Revolving Term Line to February 27, 2017 and increased the credit available from $200,000,000 to $250,000,000. Subsequent to the issuance of US$50,000,000 of Senior Notes on June 26, 2013 (see Note 6(c)), the credit available on the Revolving Term Line was reduced from $250,000,000 to $200,000,000. All other terms and conditions of this line remained unchanged except for a reduction in pricing.

During the year, the Company drew US$83,000,000 under its Revolving Term Line to fund its acquisitions in the U.S., which it designated as a hedge against the Company's investment in its U.S. operations. During the year, the Company repaid US$28,000,000 of drawings previously designated as hedges. Related cumulative unrealized foreign exchange losses remain in Foreign currency translation differences in Other comprehensive income.

[1]EBITDA represents earnings before interest, taxes, depreciation, depletion and amortization.

(Tabular amounts expressed in thousands of Canadian dollars except number of shares and per share amounts)

6. Cash and borrowings (continued):

(b) Revolving Term Line (continued):

As at December 31, 2013, the Revolving Term Line was drawn by US$85,200,000 (2012 – US$30,200,000) revalued at the year-end exchange rate to $90,619,000 (2012 - $30,046,000), being the total drawings under the facility (2012 – additional drawings of CAD$105,000,000 for total drawings of $135,046,000), and leaving an unused available line of $109,381,000 (2012 - $64,954,000).

All outstanding US drawings under the Revolving Term Line have been designated as a hedge against the Company's investment in its U.S. operations and cumulative unrealized foreign exchange losses of $5,538,000 (2012 - $667,000 gain) arising on revaluation of the Non-Revolving Term Line, and from translation of US$ borrowings designated as hedges and since repaid, were recognized in Foreign currency translation differences in Other comprehensive income.

(c) Senior Secured Notes:

On June 26, 2013, the Company issued US$50,000,000 of Series A Senior Secured Notes ("Senior Secured Notes"), bearing interest at 4.33%. The notes are subject to certain financial covenants including a minimum working capital requirement, a maximum ratio of total debt to total capitalization and a minimum net worth calculation. Payments of US$16,667,000 are required on each of June 26, 2021 and 2022, with the balance due on June 26, 2023.

As at December 31, 2013, the Senior Secured Notes were revalued at the year-end exchange rate to $53,180,000. The Senior Secured Notes have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange losses of $635,000 arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income.

(d) U.S. Operating Line

On May 24, 2013, the Company entered into an agreement with a U.S. lender for a US$20,000,000 operating line ("U.S. Operating Line"). The U.S. Operating Line is secured by accounts receivable and inventories of Interfor U.S. Inc., and matures on April 28, 2015. As at December 31, 2013, the U.S. Operating Line was drawn by US$700,000 revalued at the year-end exchange rate to $744,000, with cumulative unrealized foreign exchange losses of $67,000 recognized in Foreign currency translation differences in Other comprehensive income.

Minimum principal amounts due on long-term debt within the next five years are follows:

Twelve months ending	
December 31, 2014	$ -
December 31, 2015	744
December 31, 2016	-
December 31, 2017	91,555
December 31, 2018	-
	$ 92,299

(e) Cash and cash equivalents:

At December 31, 2013, the Company's cash balances are restricted by $168,000 for contractor holdback payments (2012 - $652,000).

7. Share capital:

The transactions in share capital are described below:

	Number			
	Class A	Class B	Total	Amount
Balance, December 31, 2011 and 2012	54,847,176	1,015,779	55,862,955	$ 346,365
Class B shares converted to Class A	1,015,779	(1,015,779)	-	-
Share issuance, net of share issue costs	7,187,500	-	7,187,500	82,358
Balance, December 31, 2013	63,050,455	-	63,050,455	$ 428,723

On August 23, 2013, the Company's controlling shareholder, Sauder Industries Limited ("SIL") exercised its right under the Company's Articles to exchange its Class "B" Common Shares for Class "A" Subordinate Voting Shares on a share for share basis without any cash or non-cash consideration. As a result of the exchange by SIL, all remaining Multiple Voting Shares were automatically converted to Class "A" Shares.

At December 31, 2013, 1,631,740 Class A shares are reserved for possible future issuance pursuant to the share option plan.

(Tabular amounts expressed in thousands of Canadian dollars except number of shares and per share amounts)

8. Finance costs:

	3 Months Dec. 31, 2013	3 Months Dec. 31, 2012	Year ended Dec. 31, 2013	Year ended Dec. 31, 2012
Interest on borrowing	$ (1,784)	$ (1,278)	$ (7,460)	$ (5,221)
Net interest on defined benefit plans	(66)	(22)	(210)	(117)
Reclassification of loss in fair value of interest rate swap from Other comprehensive income	66	-	(58)	-
Accretion expense	(151)	(100)	(522)	(454)
Amortization of deferred finance costs	(162)	(149)	(819)	(649)
	$ (2,097)	$ (1,549)	$ (9,069)	$ (6,441)

9. Depreciation, depletion and amortization:

Depreciation, depletion and amortization can be allocated by function as follows:

	3 Months Dec. 31, 2013	3 Months Dec. 31, 2012	Year ended Dec. 31, 2013	Year ended Dec. 31, 2012
Production	$ 17,077	$ 14,848	$ 61,300	$ 51,471
Selling and administration	216	245	967	922
	$ 17,293	$ 15,093	$ 62,267	$ 52,393

10. Net earnings per share:

	3 Months Dec. 31, 2013			3 Months Dec. 31, 2012		
	Net earnings (loss)	Weighted Average Number of Shares	Per share	Net earnings (loss)	Weighted Average Number of Shares	Per share
Issued shares at October 1		63,050			55,863	
Basic and diluted earnings (loss) per share	$ 11,431	63,050	$ 0.18	$ (3,827)	55,863	$ (0.07)

	Year ended Dec. 31, 2013			Year ended Dec. 31, 2012		
	Net earnings (loss)	Weighted Average Number of Shares	Per share	Net earnings (loss)	Weighted Average Number of Shares	Per share
Issued shares at January 1		55,863			55,863	
Effect of shares issued on September 30, 2013		1,831			-	
Basic and diluted earnings (loss) per share	$42,239	57,694	$ 0.73	$ (9,474)	55,863	$ (0.17)

The Company has no dilutive securities.

11. Segmented information:

The Company manages its business as a single operating segment, solid wood. The Company harvests and purchases logs which are sorted by species, size and quality and then either manufactured into lumber products at the Company's sawmills, or sold. Substantially all operations are located in British Columbia, Canada and the Pacific Northwest and U.S. Southeast, U.S.A..

The Company's sales to both foreign and domestic markets are as follows:

	3 Months Dec. 31, 2013	3 Months Dec. 31, 2012	Year ended Dec. 31, 2013	Year ended Dec. 31, 2012
Canada	$ 61,710	$ 51,496	$ 226,989	$ 234,750
United States	162,839	100,511	556,878	365,096
China/Taiwan	38,871	31,712	130,697	103,982
Japan	32,638	28,460	121,548	105,952
Other export	19,260	10,221	69,110	39,416
	$ 315,318	$ 222,400	$ 1,105,222	$ 849,196

(Tabular amounts expressed in thousands of Canadian dollars except number of shares and per share amounts)

11. Segmented information (continued):

Sales by product line are as follows:

	3 Months Dec. 31, 2013	3 Months Dec. 31, 2012	Year ended Dec. 31, 2013	Year ended Dec. 31, 2012
Lumber	$ 249,157	$ 173,344	$ 872,264	$ 631,238
Logs	41,288	24,515	136,633	113,902
Wood chips and other by products	19,954	15,849	72,418	69,376
Ocean freight and other	4,919	8,692	23,907	34,680
	$ 315,318	$ 222,400	$ 1,105,222	$ 849,196

12. Financial instruments:

At December 31, 2013, the fair value of the Company's long-term debt and bank indebtedness approximated its carrying value of $145,479,000 (2012 - $135,046,000). The fair values of other financial instruments approximate their carrying values due to their short-term nature.

As at December 31, 2013, the Company has outstanding foreign currency forward contract obligations to sell a maximum of US$8,000,000 at an average rate of CAD$1.0653 to the US$1.00 and ¥145,425,000 at an average rate of ¥96.95 to the US$1.00 during 2014. All foreign currency gains or losses to December 31, 2013 have been recognized in Other foreign exchange gain (loss) in Net earnings and the fair value of these foreign currency contracts, being an asset of $136,000 (measured based on Level 2 of the fair value hierarchy), has been recorded in Trade accounts receivable and other (December 31, 2012 - $134,000 asset recorded in Trade accounts receivable and other measured based on Level 2 of the fair value hierarchy).

On August 25, 2011, the Company entered into two interest rate swaps, each with notional value of $25,000,000 and maturing July 28, 2015. Under the terms of the swaps the Company pays an amount based on a fixed annual interest rate of 1.56% and receives a 90 day BA CDOR which is recalculated at set interval dates. These interest rate swaps were unwound on October 22, 2013.

On March 25, 2013, the Company entered into two additional interest rate swaps, each with notional value of US$25,000,000 and maturing February 17, 2017. Under the terms of these additional swaps the Company pays an amount based on a fixed annual interest rate of 0.84% and receives a 90 day LIBOR which is recalculated at set interval dates.

The intent of these swaps is to convert floating-rate interest expense to fixed-rate interest expense. As these swaps have been designated as cash flow hedges, the fair value of these interest rate swaps at December 31, 2013, being an asset of $166,000 (measured based on Level 2 of the fair value hierarchy), has been recorded in Trade accounts receivable and other (December 31, 2012 - $133,000 liability recorded in Trade accounts payable and provisions measured based on Level 2 of the fair value hierarchy) and a gain of $241,000 (December 31, 2012 - $371,000 gain) has been recognized in Other comprehensive income for the year ending December 31, 2013.

To manage price risk, the Company also traded lumber futures which were designated as held for trading with changes in fair value recorded in Other income in Net earnings. At December 31, 2013 there were no outstanding lumber futures contracts and a gain of $118,000 was recognized in Other income on completed contracts for the year ended December 31, 2013 (December 31, 2012 - $25,000 gain).

Lumber futures are traded through a well established financial services firm with a long history of providing trading, exchange and clearing services for commodities and foreign currencies. As trading activities are closely monitored by senior management and restricted including a maximum number of outstanding contracts at any point in time the risk of credit loss on these instruments is considered low.

13. Commitment:

On acquisition of the Thomaston sawmill operations from Keadle Lumber Enterprises, Inc., the Company agreed to pay an additional US$7,000,000, contingent upon receipt of an upgrade to the air permit which will allow the Company to operate a second shift. Receipt of this approval is expected in the first quarter, 2014, with the payment to be made 365 days thereafter. The liability, revalued at the year-end foreign exchange rate to $7,445,000, is included in Other liabilities and provisions in the Statement of Financial Position as at December 31, 2013.

14. Subsequent event:

On February 8, 2014, the Company entered into a share purchase agreement (the “Purchase Agreement”) with Ilim Timber Continental, S.A. (“ITC”) to acquire all of the outstanding common shares of Tolleson Ilim Lumber Company for consideration comprised of US$129,900,000 in cash and retained liabilities and 3,680,000 common shares of the Company. The Tolleson operations include two sawmills in Perry and Preston, Georgia, with a combined annual lumber production capacity of more than 400 million board feet plus a remanufacturing facility in Perry, Georgia.

The Company also entered into a non-competition agreement (the “Non-Competition Agreement”) with ITC, which is subject to completion of the Purchase Agreement. Under terms of the Non-Competition Agreement, ITC and its affiliates would be prohibited from carrying on various activities within Canada and the U.S. that would be in competition with the Company’s operating activities. The Non-Competition Agreement expires five years from the closing date of the Purchase Agreement.

This acquisition remains subject to various closing conditions, including regulatory approval, and is anticipated to close in the first quarter of 2014. The acquisition will be financed in part from Interfor’s existing credit facilities, to be amended as described below, and is expected to be accretive to net earnings immediately.

In conjunction with the Purchase Agreement, the Company has secured commitments from its lenders to increase the credit available under its Revolving Term Line from $200,000,000 to $250,000,000, without change to other terms and conditions.

ADDITIONAL INFORMATION

Additional information relating to the Company and its operations can be found on its website at www.interfor.com and in the Annual Information Form filed on SEDAR at www.sedar.com.

INTERFOR

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