



COMPANY OVERVIEW  
May 2014



**INTERFOR**

Building Value™

# FORWARD-LOOKING STATEMENTS

Information contained herein constitutes forward-looking statements. Forward-looking statements, which include all statements that are not historical facts, are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in or suggested by the forward-looking statements. See additional risks described in the Company's MD&A under "Risks and Uncertainties" in the Company's 2013 Annual Report, which is incorporated by reference. All forward-looking statements made are qualified by these cautionary statements.

Participants should not place undue reliance on the forward-looking statements, which reflect Management's plans, estimates, projections and views only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

# THE INTERFOR WAY

We conduct ourselves with honesty and integrity.

We respect, value and engage our employees.

We embrace world-leading safety and environmental standards.

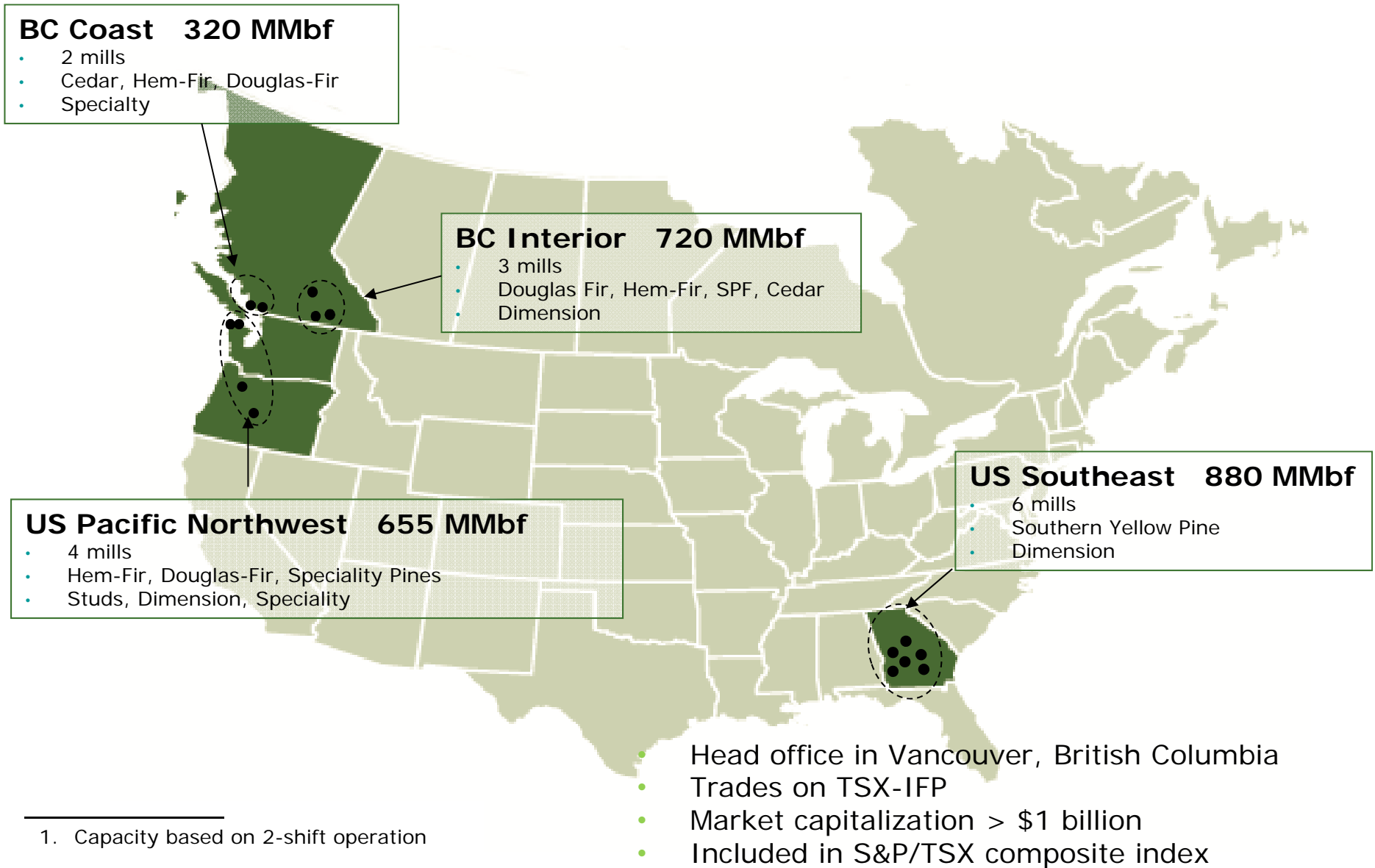
We are strategic, fact-based and proactive.

We strive for excellence in everything we do.

**We are responsible for our own success.**



# PURE PLAY LUMBER - FOUR REGIONS



# INTERFOR'S STRATEGIC PLAN

## Growth by Acquisition

- Lumber focus
- Portfolio strategy
- Conservative capital structure
- Accretion

## Operational Excellence

- Integration from log to customers
- Fact-based business optimization
- Preferred customer strategy
- Active reinvestment
- High performance culture

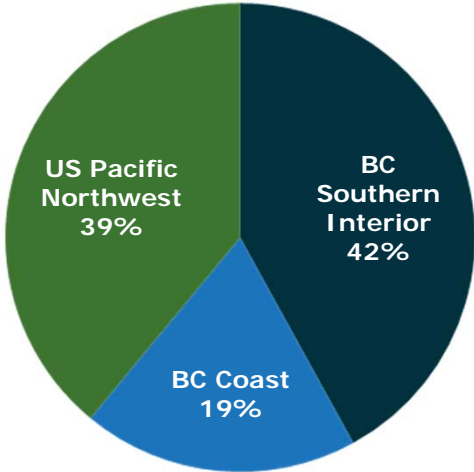
# INTERFOR TRANSFORMATION

- The groundwork for Interfor's recent strategic activity was established in late 2011/early 2012, with the goal of doubling the size of the company within five years.

2012	2014
<ul style="list-style-type: none"><li>• 1.6 Bbf of capacity</li></ul>	<ul style="list-style-type: none"><li>• 2.6 Bbf of capacity</li></ul>
<ul style="list-style-type: none"><li>• Top 10 N.A. lumber producer</li></ul>	<ul style="list-style-type: none"><li>• Top 5 N.A. lumber producer</li></ul>
<ul style="list-style-type: none"><li>• 9 sawmills in 3 regions</li></ul>	<ul style="list-style-type: none"><li>• 15 sawmills in 4 regions</li></ul>
<ul style="list-style-type: none"><li>• No presence in US South</li></ul>	<ul style="list-style-type: none"><li>• Largest lumber producer in Georgia</li></ul>
<ul style="list-style-type: none"><li>• Enterprise value &lt; \$400 million</li></ul>	<ul style="list-style-type: none"><li>• Enterprise value &gt; \$1.3 billion</li></ul>

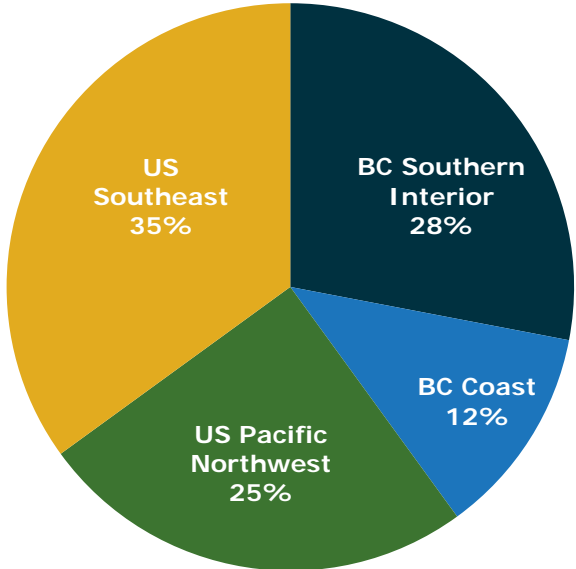
# INTERFOR'S BALANCED PROFILE

2012



Capacity - 1.6 Bbf

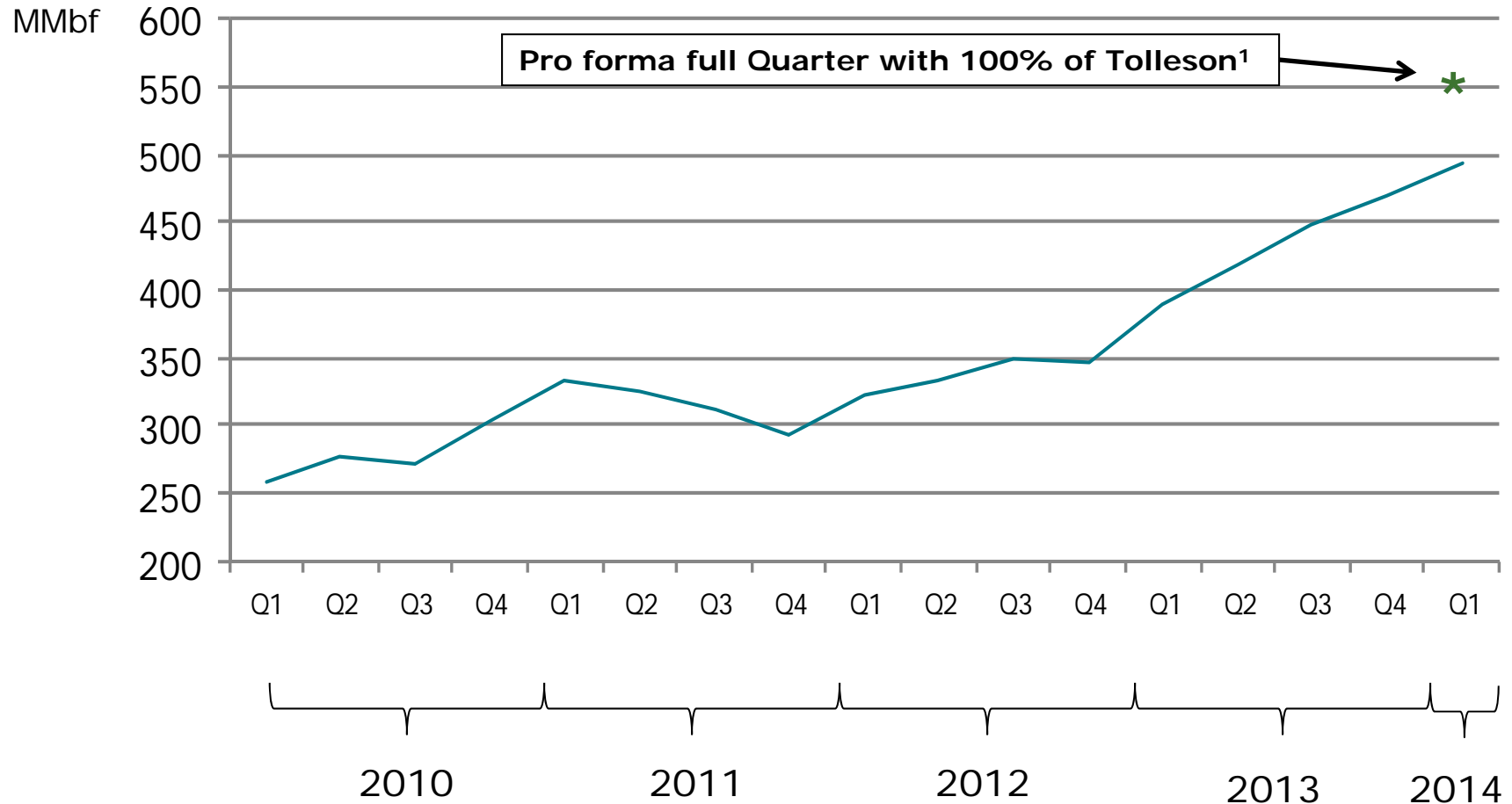
2014



2.6 Bbf

# PRODUCTION HAS DOUBLED

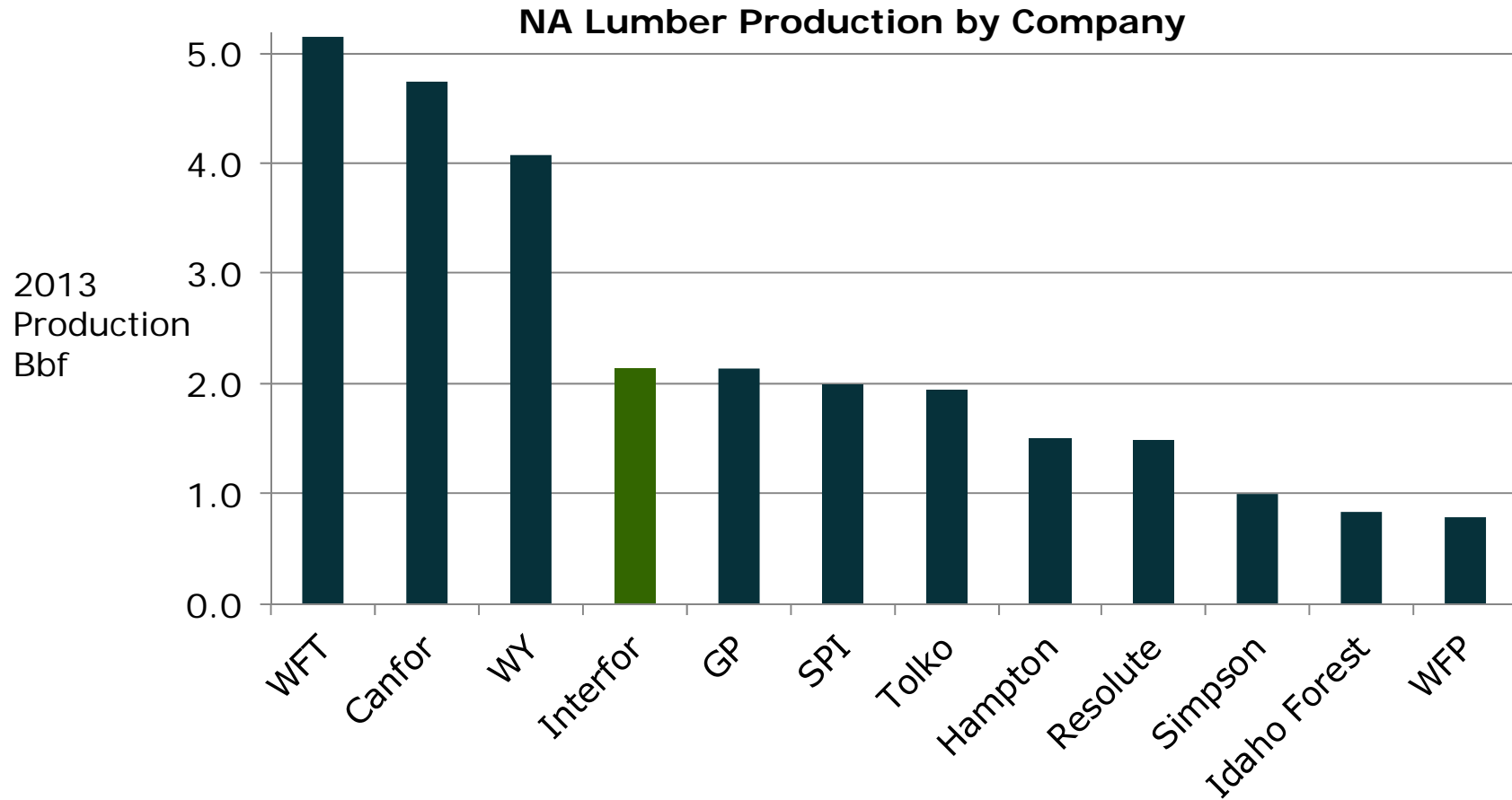
Quarterly Lumber Production 2010 - 2014



1. Q1 quarterly production includes approximately two weeks of results from the Tolleson acquisition, which closed on March 14, 2014.



# MOVING UP THE TIERS



Source: Wood Markets monthly – March 2014

Note: Interfor's 2013 production figure includes the total 2013 production of the acquired Rayonier, Keadle and Tolleson mills; GP includes Temple Inland.



# HISTORY OF SUCCESSFUL ACQUISITIONS

Year	Business Acquired	Assets
2001	Primex	2 sawmills 2 reman facilities
2004	Crown Pacific	3 sawmills
2005	Floragon	1 sawmill
2008	Pope and Talbot	2 sawmills
2008	Portac	1 sawmill
2010	Weyerhaeuser BC interior	275,000 m <sup>3</sup> of tenure
2013	Rayonier sawmills	3 sawmills
2013	Springer Creek	174,000 m <sup>3</sup> of tenure
2013	Keadle	1 sawmill
2014	Tolleson	2 sawmills and reman facility

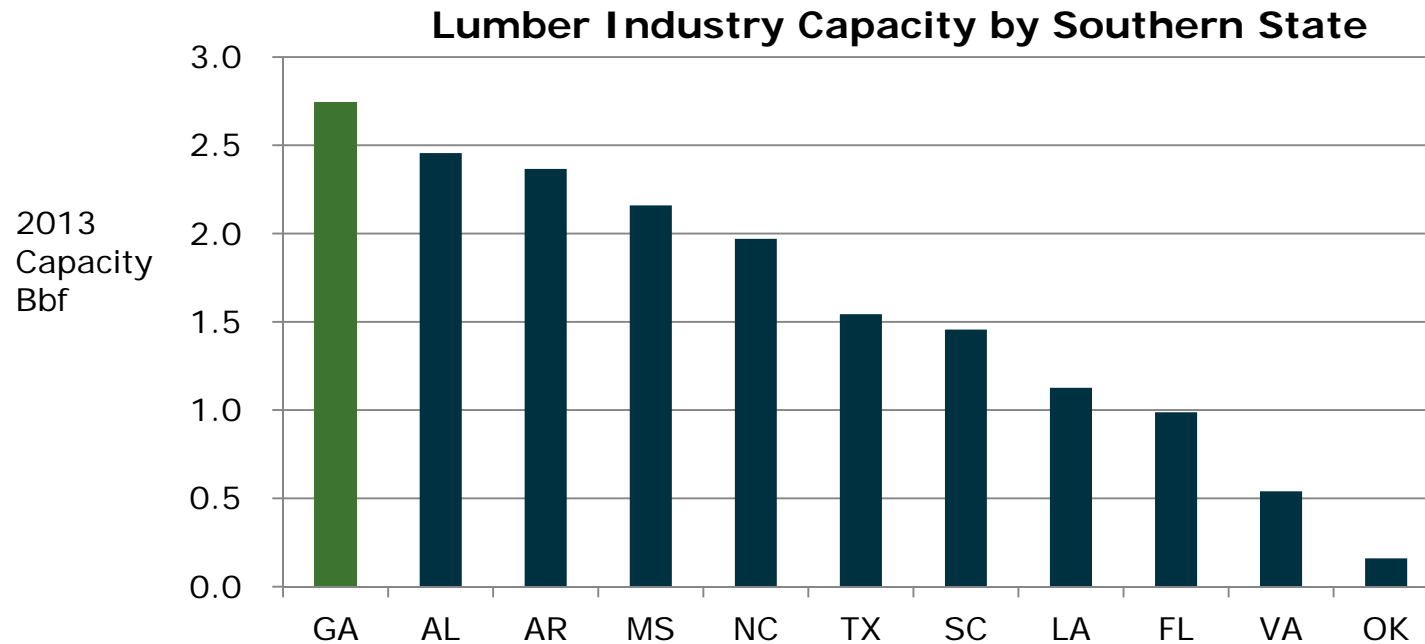
# STATE OF THE ART OPERATIONS

- Interfor has invested over \$300 million in various strategic capital projects over the past several years, with additional projects now underway.



# SIGNIFICANT PRESENCE IN US SOUTH

- Interfor is the largest lumber producer in Georgia – market share >30%.



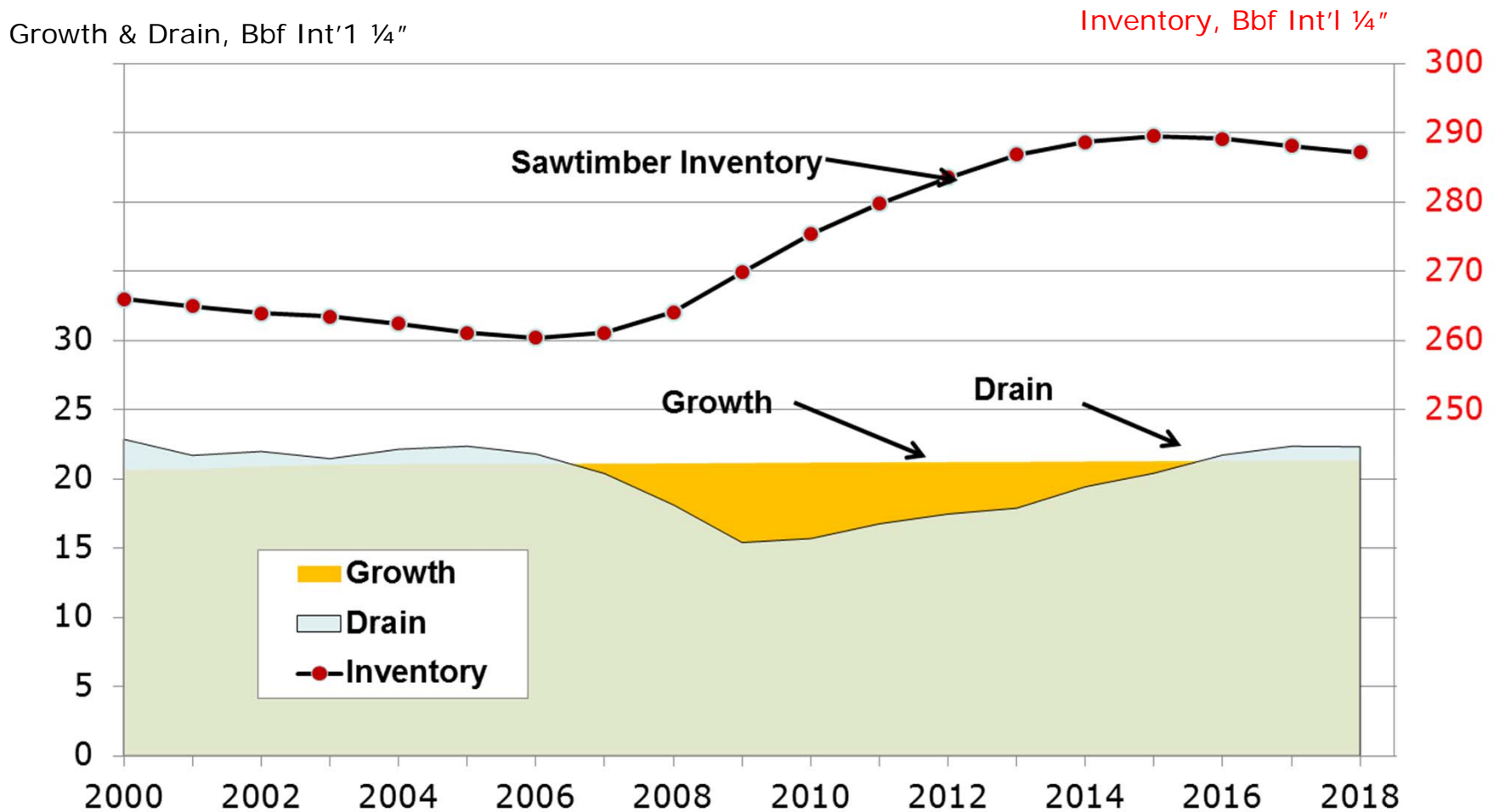
Source: FEA– December 2013

# GEORGIA OPERATIONS

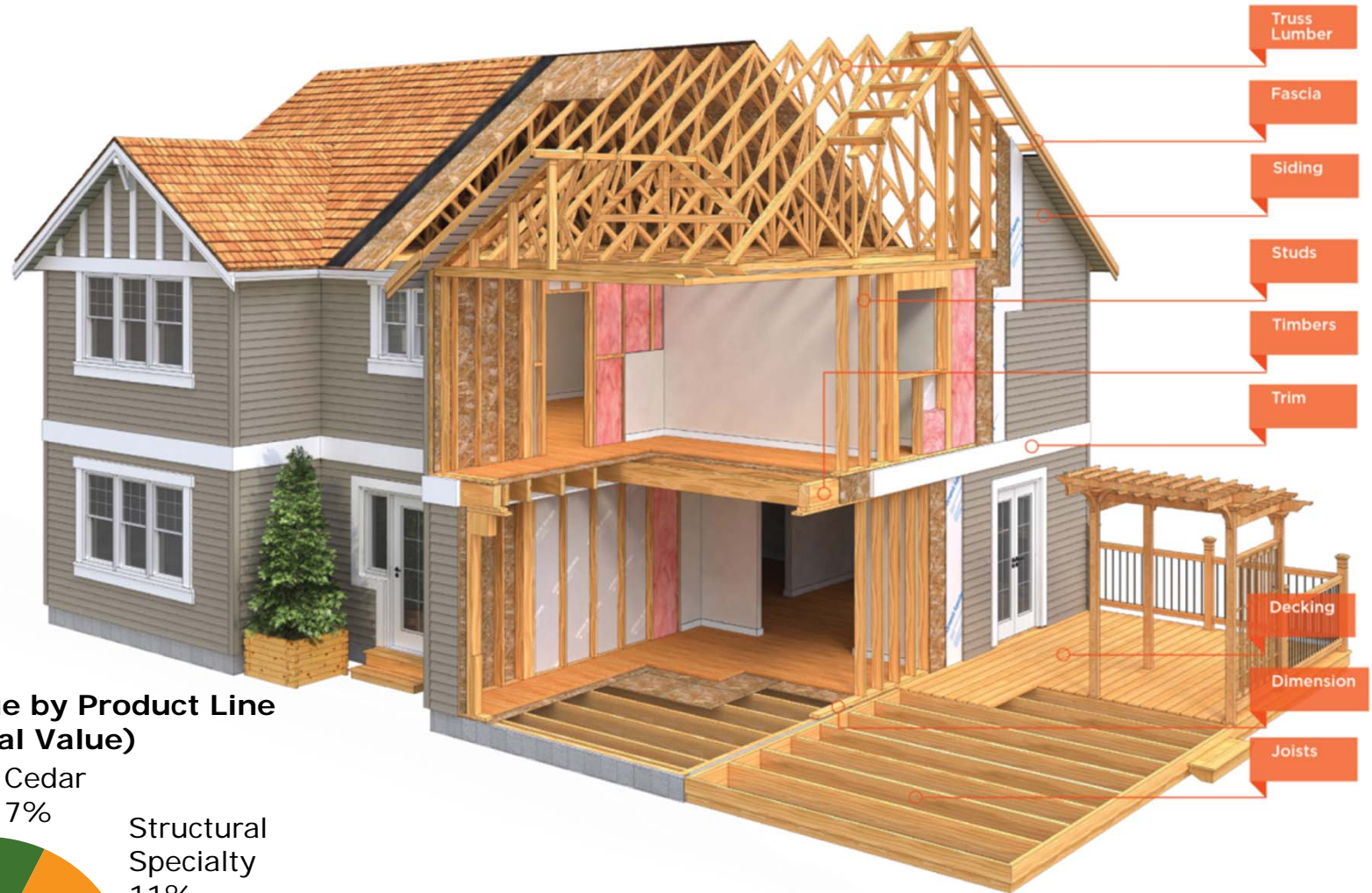


Business Unit	Location
Regional Office	Peachtree City
Sawmill	Eatonton
Sawmill	Thomaston
Sawmill	Perry
Sawmill	Preston
Sawmill	Swainsboro
Sawmill	Baxley

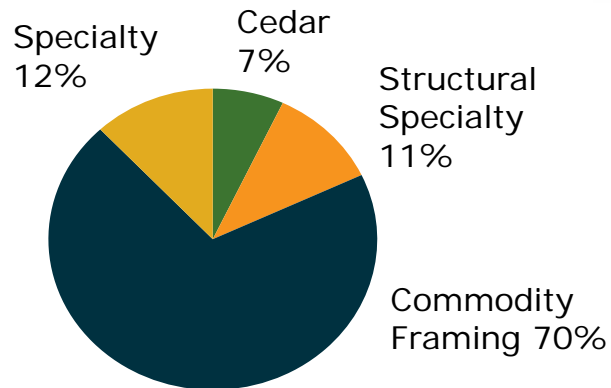
# FAVOURABLE LOG SUPPLY IN US SOUTH



# DIVERSE PRODUCT LINES

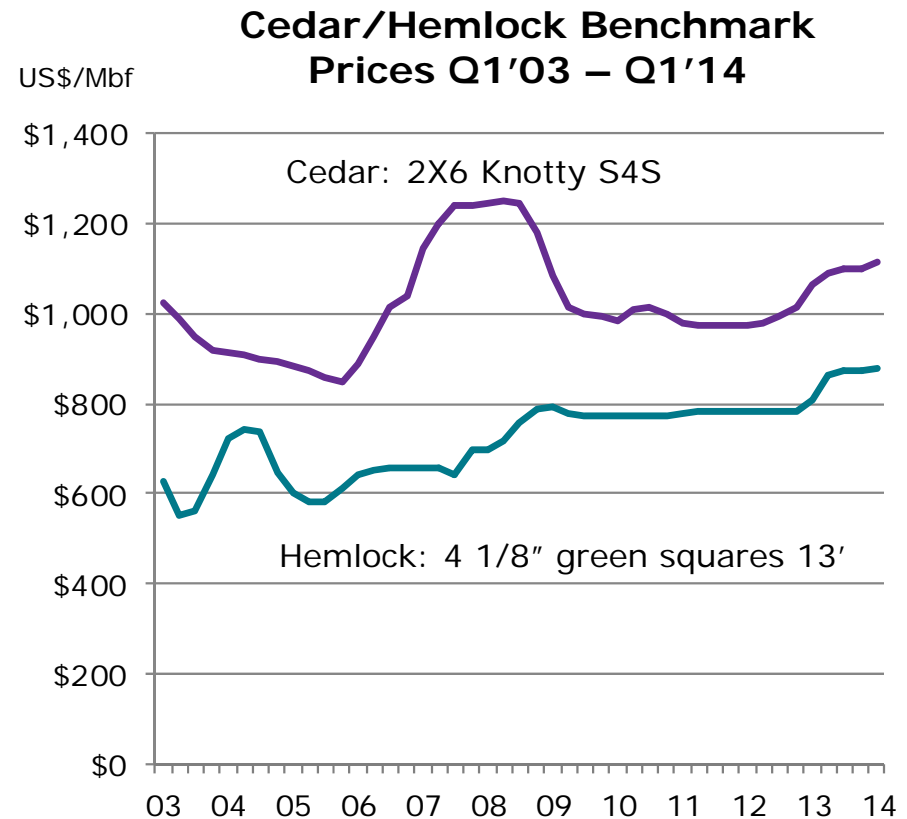
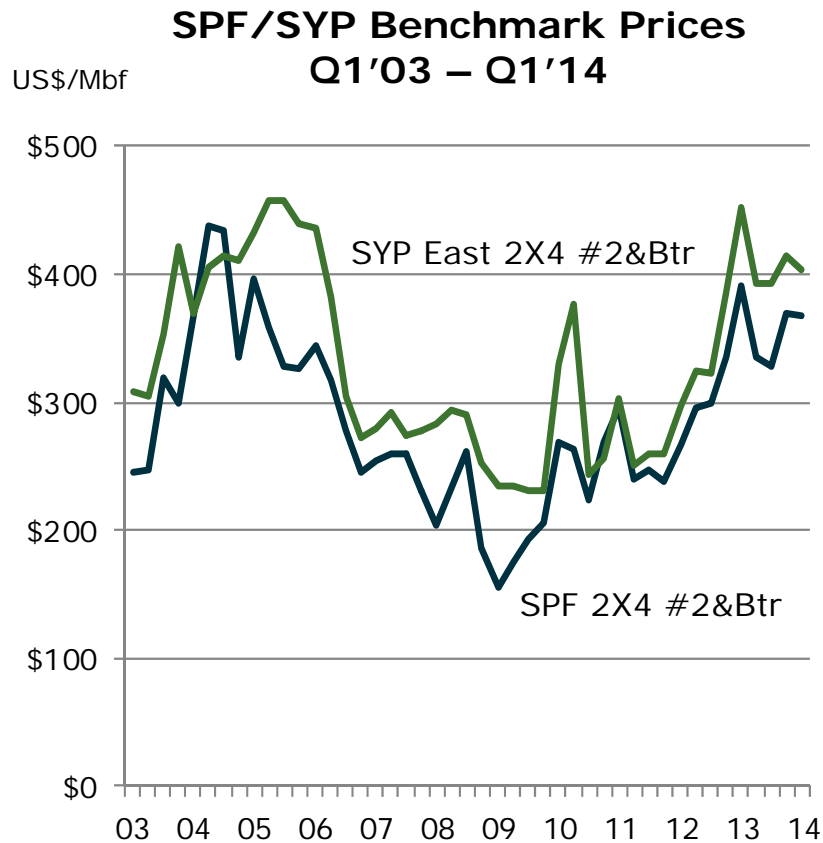


**Average Revenue by Product Line  
(by Total Value)**



# PRODUCT DIVERSIFICATION RATIONALE

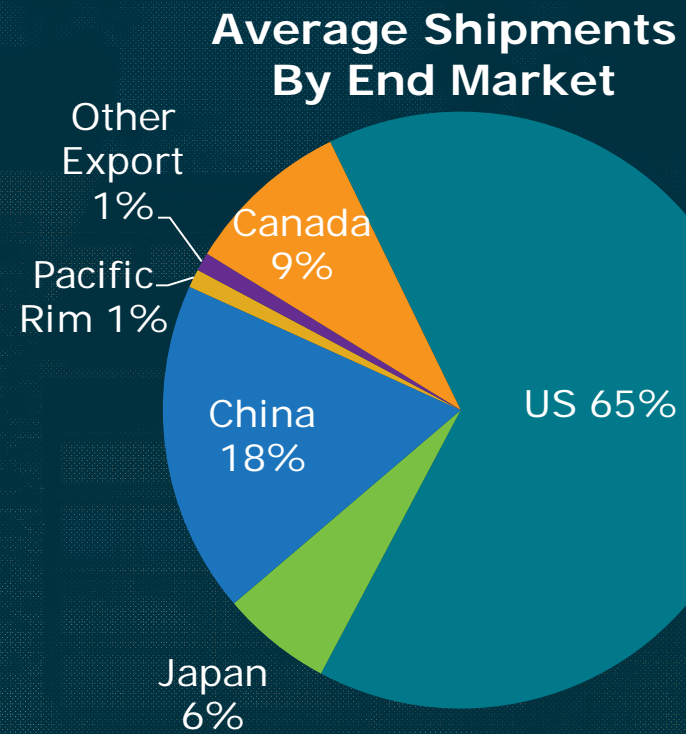
- Interfor's product diversification strategy is unique in that the volatility of the commodity lumber grades (left chart) is moderated by lower volatility in specialty lumber prices (right chart), and thereby smooth's the cycle.



Source: Random Lengths – April 2014



# DIVERSE MARKET PROFILE



# SUMMARY INCOME STATEMENT

- The Q1 2014 results were impacted by:
  - Transportation disruptions – approximately 70 MMbf of trapped inventory
  - One-time costs of the Tolleson acquisition – C\$1.1 mm
  - Only two weeks of results from Tolleson (closed March 14, 2014)

C\$ millions	Q1 2014	Q4 2013	2013 <sup>(2)</sup>
Sales	\$294.8	\$315.3	\$1,105.2
Adjusted EBITDA <sup>1</sup>	\$39.2	\$36.2	134.0
Adjusted EBITDA Margin	13.3%	11.5%	12.1%

1. Excludes Other Income and Long Term Incentive Compensation expense.

2. The Tolleson results were not included in Interfor's 2013 financials. In 2013, Tolleson generated adjusted EBITDA of US\$37 mm on sales of US\$134 mm (EBITDA margin of 28%).

# SENSITIVITIES

Sensitivity Variable	Change	Annual EBITDA impact C\$ million
Mill net lumber price	+ US\$10/Mbf	\$11.6
FX Rate (US\$/C\$)	- \$0.01	\$4.4

# STRONG CAPITAL STRUCTURE

- Interfor's balance sheet remains strong following the Tolleson acquisition.

C\$ millions	March 2014
Net debt	\$270
Book Equity	\$609
Invested capital	\$879
Net debt / invested capital	31%

# LOW COST DEBT STRUCTURE

- The Company has significant liquidity and flexibility, with a low cost debt structure.
  - Average interest rate of approximately 3%

\$ millions (March 2014)	CAD Bank Lines	US Operating Line	Prudential Senior Secured Notes	Total
Maturity	2017	2015	2023	
Available credit <sup>1</sup>	C\$315	US\$30	US\$50	C\$403
Drawings & letters of credit <sup>1</sup>				C\$284
Unused credit				C\$119
Cash				C\$5
Available credit plus cash				C\$124

1. US\$ available credit and drawings at year-end have been converted into C\$ at Mar 31, 2014 exchange rate of C\$1.1053

# STRONG SUPPORT FROM THE INVESTMENT COMMUNITY

Firm	Recommendation	Price Target
BNS	Sector Outperform	\$19.50
CIBC	Sector Outperformer	\$22.50
National Bank	Outperform	\$20.00
Raymond James	Strong Buy	\$23.00
RBC	Outperform	\$19.00
Salman Partners	Buy	\$20.00
TD	Buy	\$22.00

The firm recommendations and price target estimates shown above are not based on analyses by Interfor, but on analyses performed by the firms. References to such recommendations and price targets are for information purposes only and do not imply that Interfor supports or confirms in any way the recommendations or price targets of the firms.

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# KEY TAKEAWAYS

- Interfor has grown significantly over the last several years.
- Significant strategic capital investments over past several years.
- Balanced geographic base and product offering.
- Conservative balance sheet with additional financial capacity for future growth.
- Strong track record of performance.

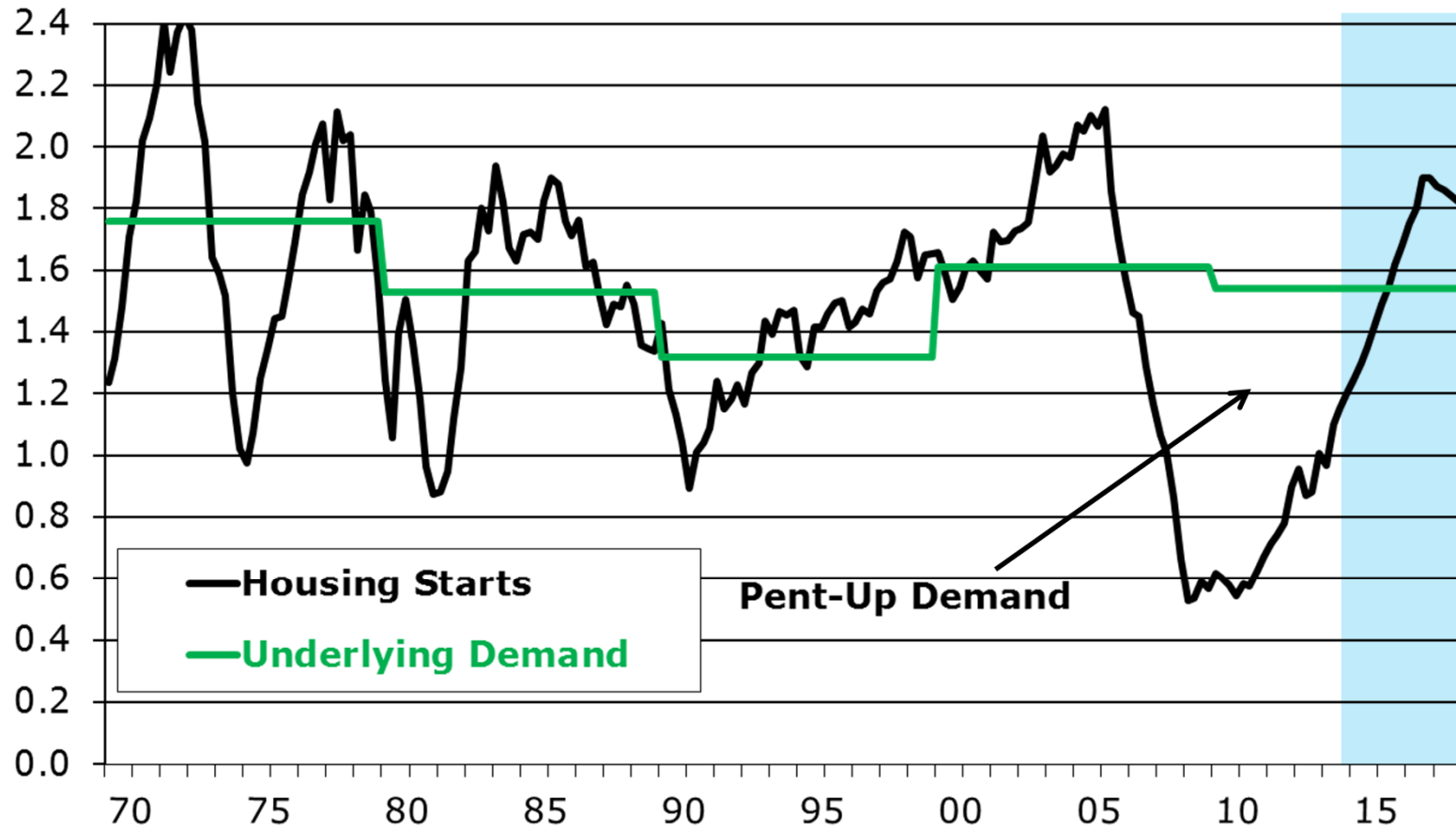
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# APPENDIX

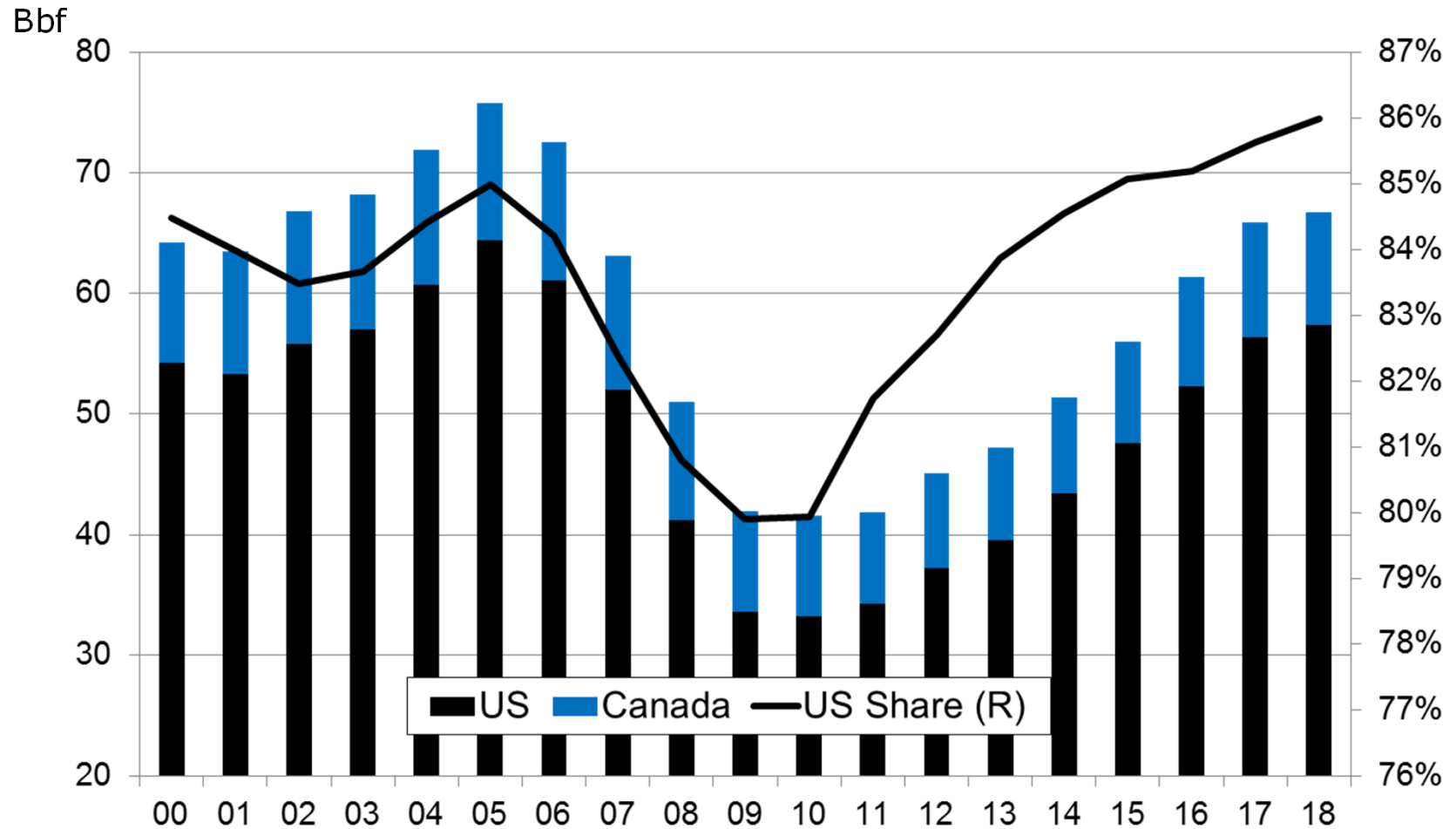


# US HOUSING STARTS

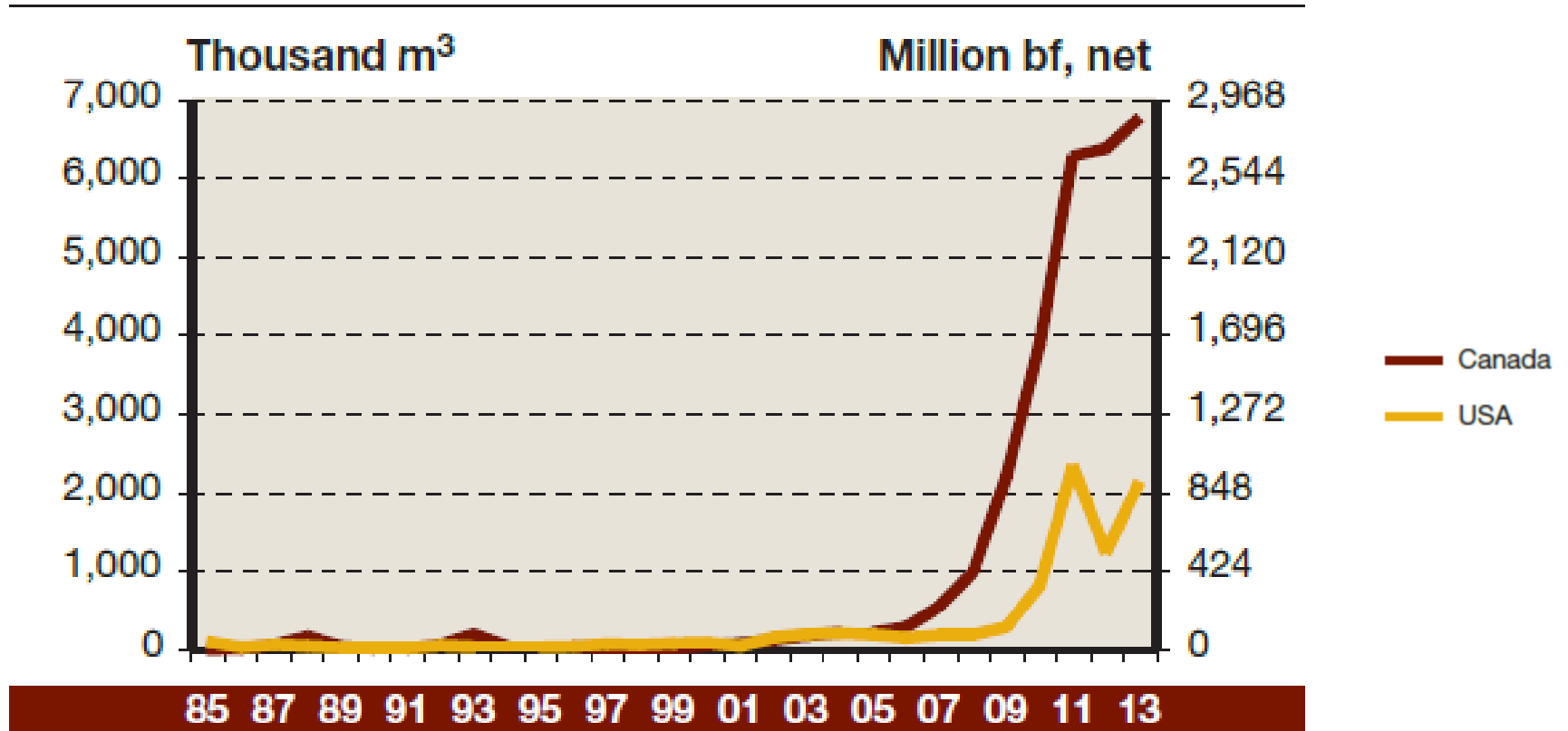
Millions (SAAR)



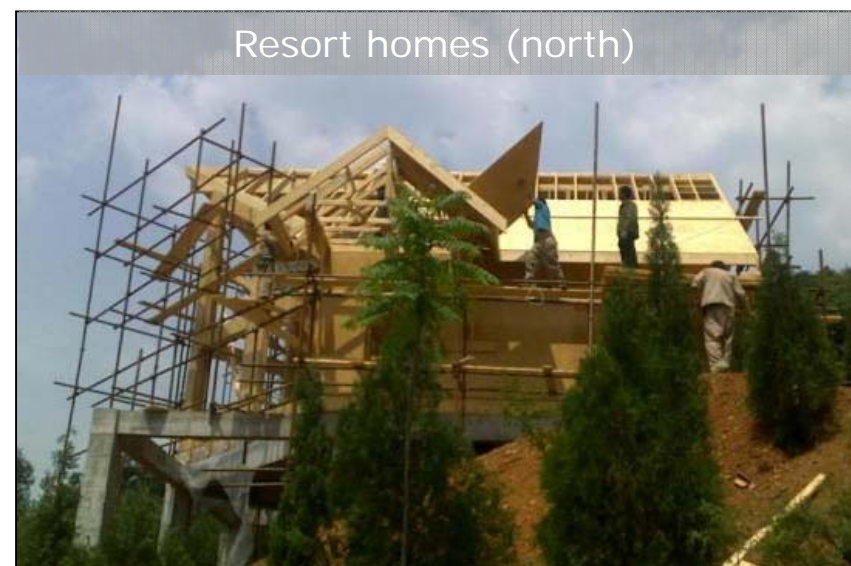
# NORTH AMERICAN LUMBER CONSUMPTION



# NORTH AMERICAN LUMBER EXPORTS TO CHINA



# CHINA MARKETS – WOOD FRAME CONSTRUCTION



# CHINA MARKETS – SECTORS UNDER DEVELOPMENT

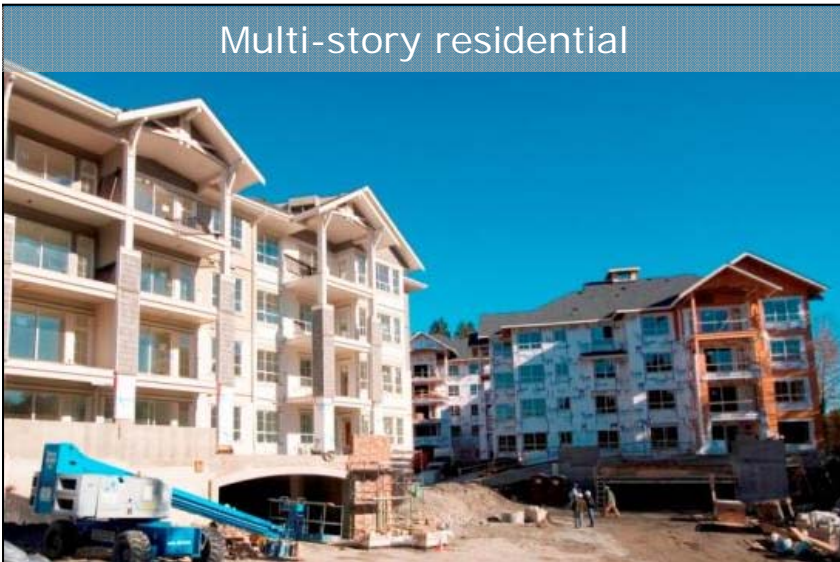
Public buildings



Apartment infill walls / partition walls



Multi-story residential



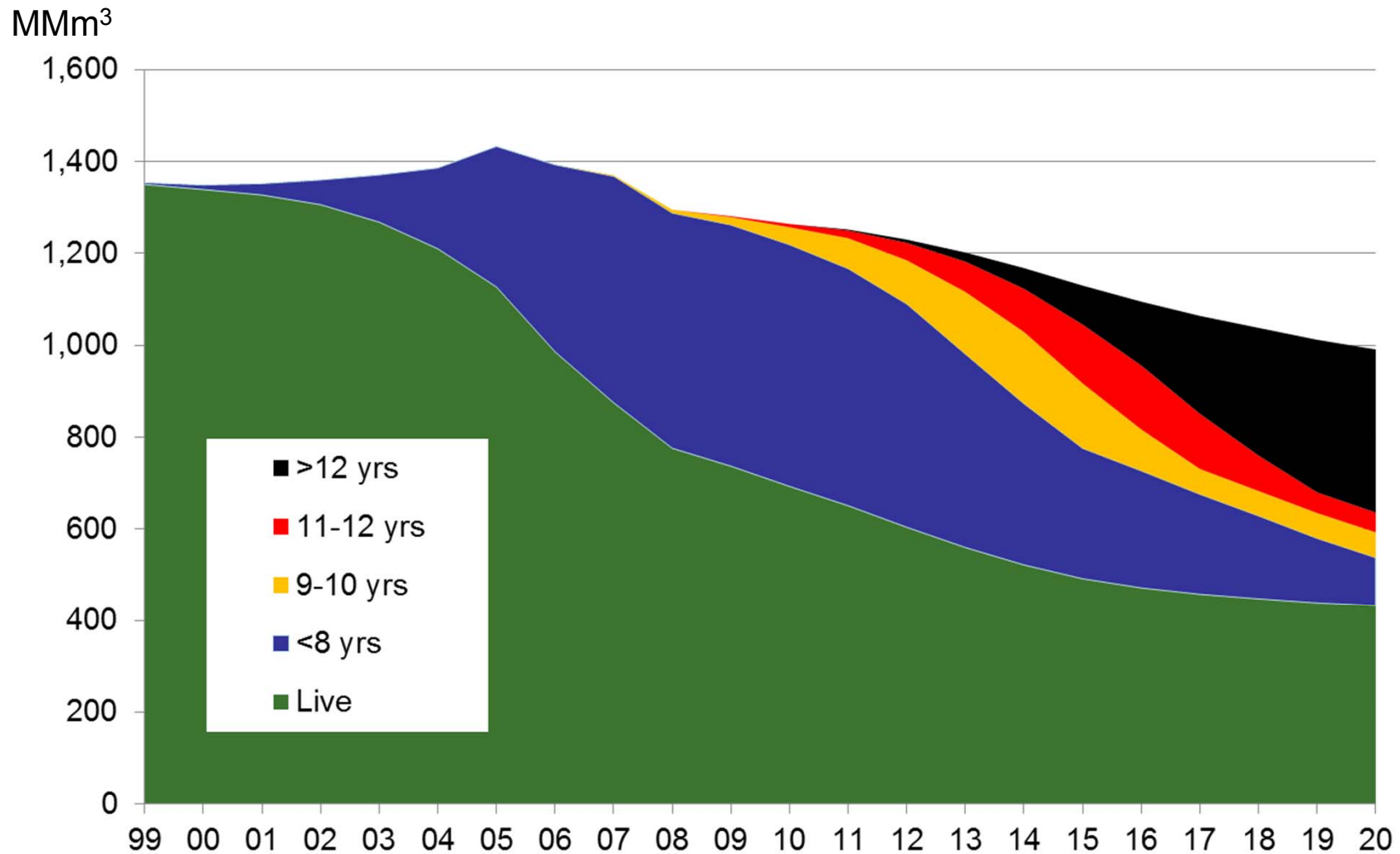
Mixed-use hybrid



# CHINA MARKETS – USE OF BC WOOD

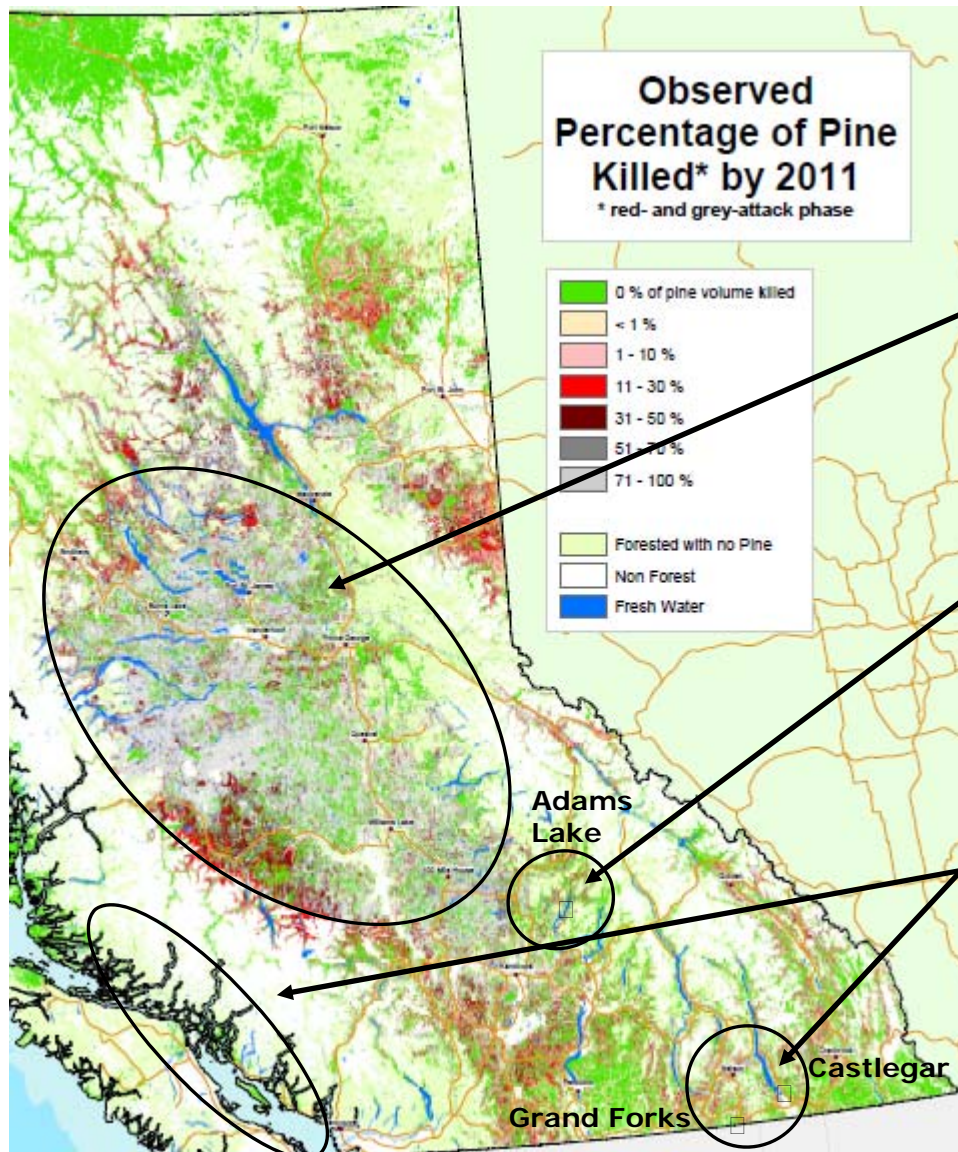


# IMPACT OF MOUNTAIN PINE BEETLE (MPB)



# MPB – AREA AFFECTED

- Interfor's southern BC Interior wood baskets are less exposed to the MPB than BC's central and northern interior regions; the Coast is not exposed.



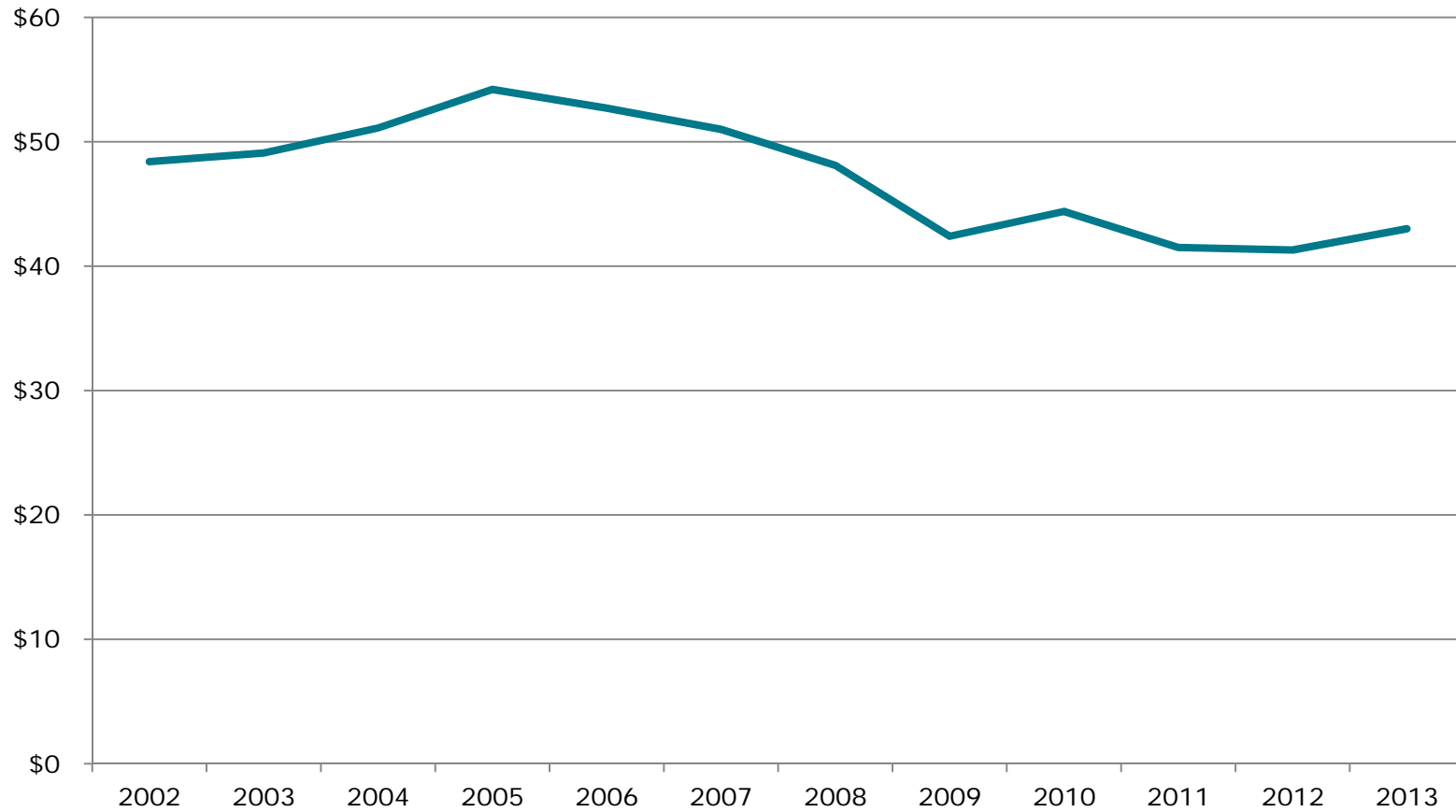
	AAC <sup>1</sup> MMm <sup>3</sup>
<u>Central and Northern BC</u>	0.0
50 – 75% Pine	
<u>Adams Lake in Southern BC</u>	0.5
28 – 30% Pine	
<u>Castlegar &amp; Grand Forks in Southern BC</u>	1.0
17% Pine	
<u>Coastal BC Woodlands</u>	2.0
<u>No Pine</u>	3.5

1: Annual Allowable Cut (million m<sup>3</sup>)

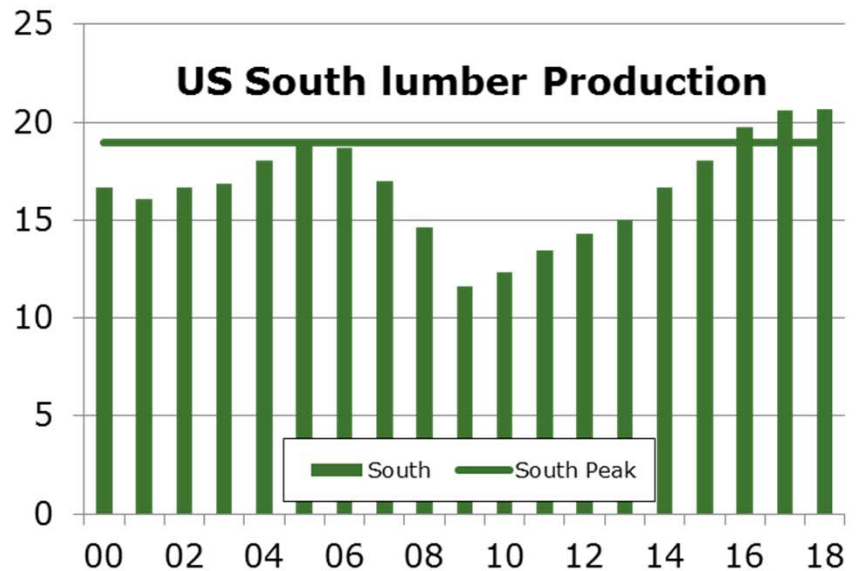
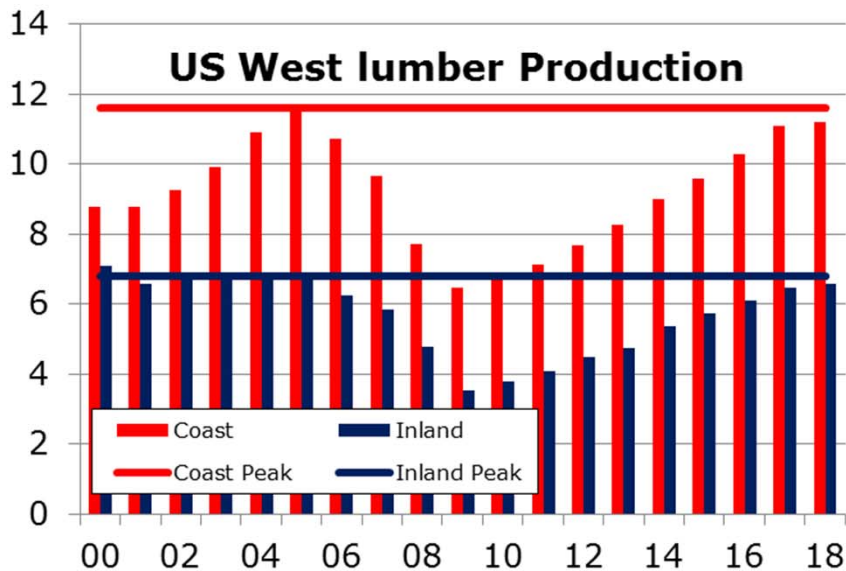
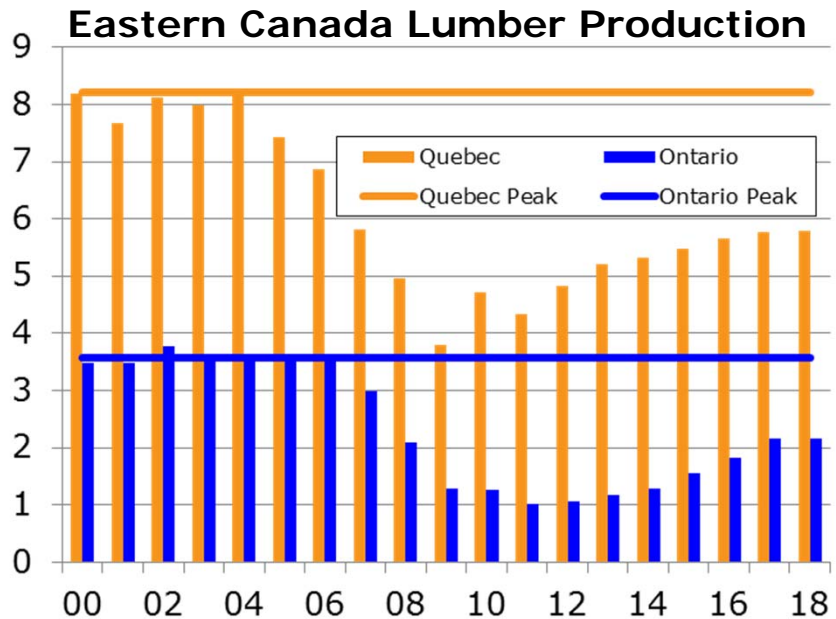
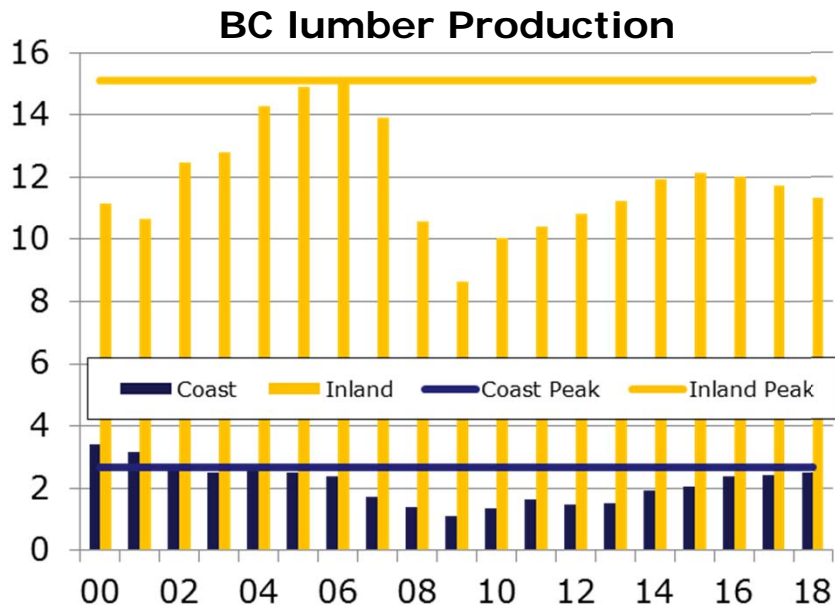


# US SOUTH SAWTIMBER PRICES

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



# REGIONAL PRODUCTION VS PEAK (Bbf)



Source: FEA- March 2014