



## International Forest Products Limited

Vancouver, BC

February 9, 2014

### Interfor Grows in the US Southeast

#### Agreement to Acquire Tolleson Lumber Company of Perry, Georgia

- Total consideration of US\$180 million<sup>1</sup>, including working capital
- Increases Interfor's US Southeast operating platform by 75%
- Low cost mills
- Strong geographic fit with Interfor's US Southeast operations with significant synergy potential
- Highly accretive transaction
- Strong pro forma capital structure with significant liquidity for future growth initiatives
- Interfor and Ilim Timber to evaluate joint international marketing opportunities

**INTERNATIONAL FOREST PRODUCTS LIMITED** ("Interfor" or the "Company") (TSX: IFP.A) announced today that it has reached an agreement with Ilim Timber Continental, S.A. ("Ilim Timber") to acquire Tolleson Ilim Lumber Company ("Tolleson") of Perry, Georgia, USA.

The Tolleson operations include two sawmills in Perry and Preston, Georgia, with a combined annual lumber capacity of more than 400 million board feet<sup>2</sup> plus a remanufacturing facility in Perry, Georgia. The Tolleson mills were recently ranked as the two lowest cost mills in a survey<sup>3</sup> of US southern pine sawmills. In 2013, Tolleson generated adjusted EBITDA<sup>4</sup> of US\$37 million on sales of US\$134 million.

The Tolleson mills are located within 75 miles of Interfor's operations at Thomaston and Eatonton, Georgia and will create an enhanced platform for Interfor in the US Southeast. It is estimated that the combination of Interfor and Tolleson will generate more than US\$5 million in annual synergies through a combination of process optimization, enhancements in logistics and transportation and best-in-class business practices.

Furthermore, the Tolleson mill at Perry has plans underway to increase annualized lumber production by 50 million board feet, beginning in 2015, by upgrading the mill's kilns and

<sup>1</sup> As of February 7, 2014 and based on a 20 day volume-weighted average share price for Interfor's Class A subordinate voting shares of C\$14.95 per share and an exchange rate of US\$0.906/C\$1.00.

<sup>2</sup> Based on normal operating hours and after the effect of upgrading the Perry mill's kilns.

<sup>3</sup> Based on The Beck Group's 2012 Southern Pine Sawmills Competitive Assessment (dated July, 2013) including 24 sawmills located in 8 States.

<sup>4</sup> Adjusted EBITDA excludes the impact of unusual and non-recurring items and accrued long term incentive compensation.

increasing the number of operating hours at the facility.

As a result of this transaction, Interfor's annual lumber production capacity will increase by almost 20% to 2.6 billion board feet, placing it in the top five lumber companies in North America. The Company's lumber platform in the US Southeast will total more than 900 million board feet post transaction, representing approximately 35% of the Company's total pro forma capacity.

Following completion, Interfor will work with Ilim Timber to evaluate the potential for various international marketing initiatives including Interfor serving as agent for Ilim Timber's European sales in North America and other potential joint opportunities in China, Japan, the Middle East and elsewhere.

"This transaction represents a significant step for Interfor," said Duncan Davies, Interfor's President and CEO. "The Tolleson mills are a great fit with our operations in the US Southeast and provide a larger footprint on which to build our presence in the region. Even more important, from a financial perspective, the transaction will be immediately accretive to Interfor."

### ***Transaction Overview***

Interfor's consideration for the Tolleson business<sup>5</sup> has been set at US\$129.9 million in cash and retained liabilities plus 3.68 million Interfor shares.

On a pro forma basis, Ilim Timber will hold 5.5% of Interfor's outstanding shares which will be subject to customary governance provisions including standstill and lockup arrangements.

As part of the transaction, Ilim Timber will have the right to designate one nominee for election to Interfor's Board of Directors. Ilim Timber's Board nominee will be Mr. Paul Herbert, who retired recently as the Chief Executive Officer of Ilim Group, Russia's largest forestry, pulp and paper company, a joint venture between International Paper Company ("IP"), Ilim Timber's principals and other investors.

Prior to joining Ilim Group in 2007, Mr. Herbert served in a senior executive capacity with IP for more than 20 years. Mr. Herbert studied engineering at East London Polytechnic University in England and later attended Texas A&M for an EMBA.

Mr. Herbert will be appointed to Interfor's Board of Directors on the closing of the transaction and will stand for election at the Company's Annual General Meeting in May.

Rusty Wood, Tolleson's Chief Executive Officer, will remain with Interfor following the transaction in an advisory capacity on matters related to business strategy.

The transaction is structured to allow Interfor to maintain a strong capital structure that will allow it to continue to pursue additional growth initiatives. The Net Debt to Invested Capital will increase from 23% as at September 30, 2013 to approximately 33% on a pro forma basis. In conjunction with the closing of the transaction, Interfor will increase its bank operating lines by \$50 million which will provide the Company with approximately \$120 million of liquidity on a pro forma basis.

The completion of the transaction is subject to customary conditions and regulatory

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<sup>5</sup> Including working capital of US\$7.8 million.

approvals including the approval of the TSX, and is expected to close in the first quarter of 2014.

### **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”, “plans” 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: satisfaction of the conditions to the completion of the Tolleson acquisition in a timely manner, if at all, uncertainties related to the realization of the anticipated benefits of the Tolleson acquisition, 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](http://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.

### **CONFERENCE CALL**

There will be a conference call on Monday, February 10, 2014 at 8:00 AM (Pacific Time)/11:00 AM (Eastern Standard Time) hosted by **INTERNATIONAL FOREST PRODUCTS LIMITED** for the purpose of reviewing the announcement. A [presentation](#) will be posted to the [website](#) for review during the conference call.

The dial-in numbers are **1-866-323-8540 or 416-640-5938**. The conference call will also be recorded for those unable to join in for the live discussion, and will be available until February 24, 2014. The numbers to call are **1-866-245-6755 or 416-915-1035, Passcode 461225**.

### **ABOUT INTERFOR**

Interfor is a growth-oriented lumber company with operations in Canada and the United States. The 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 the website at [www.interfor.com](http://www.interfor.com).

For further information:

John A. Horning  
Senior Vice President and Chief Financial Officer  
(604) 328-1815

or

Martin L. Juravsky  
Vice President, Corporate Development and Strategy  
(416) 419-8163