

# Investor Update

September 2012



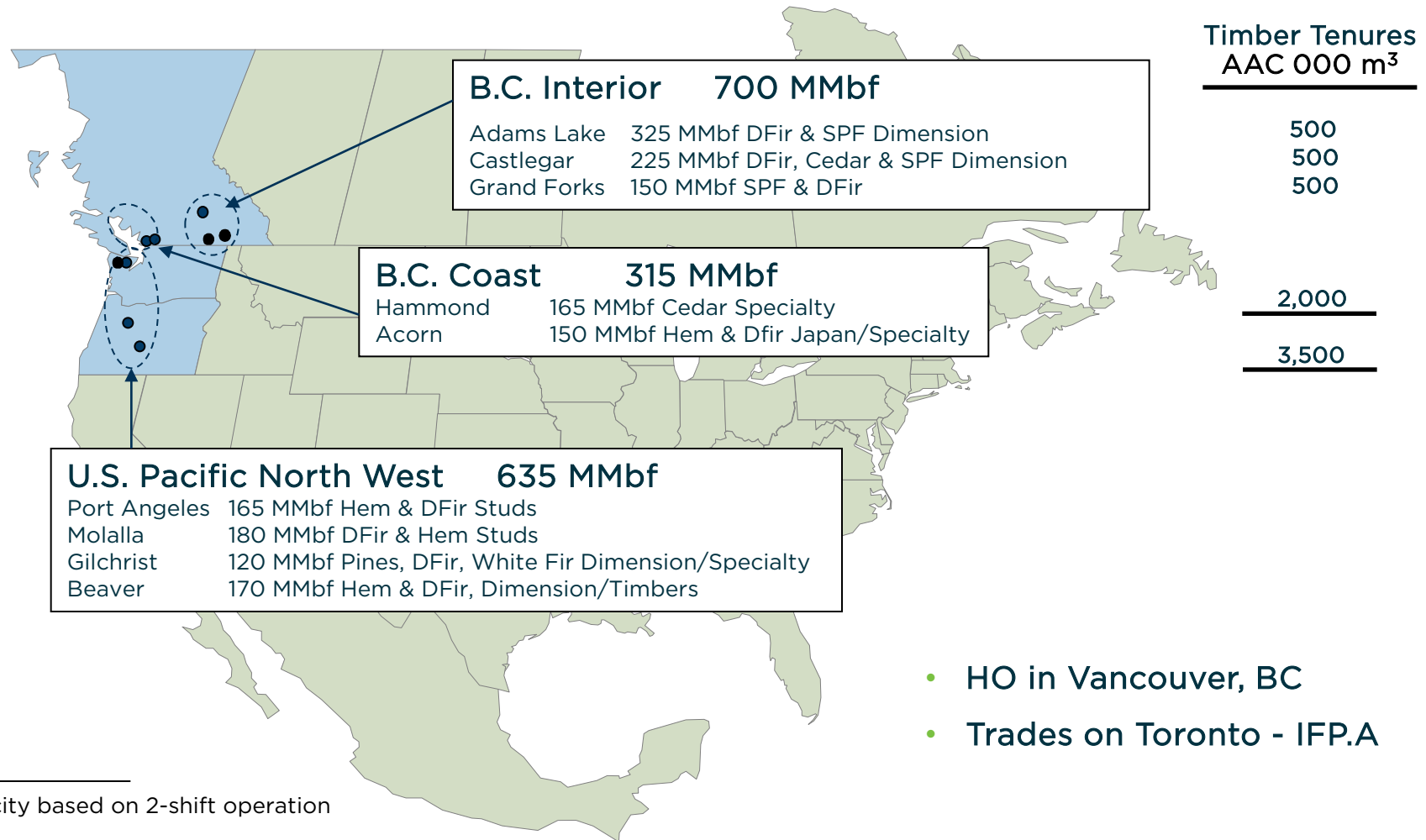
**Duncan Davies**  
President & CEO

# Section 1

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## Company Update

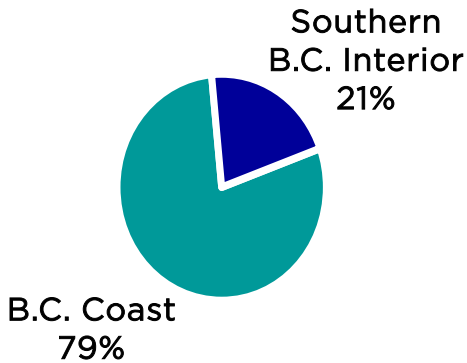
# Company Update



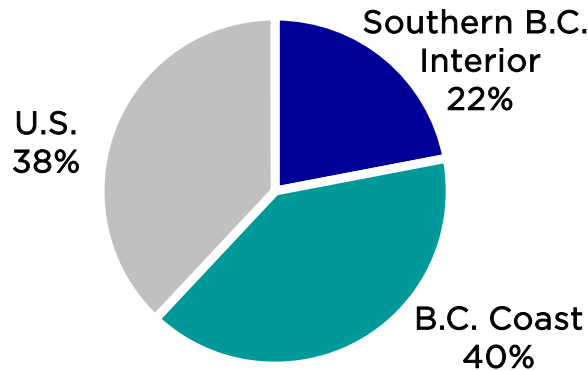
<sup>1</sup>. Capacity based on 2-shift operation

Interfor has a diversified base of operations with lumber capacity of 1,650 MMbf <sup>1</sup>.

# Company Update

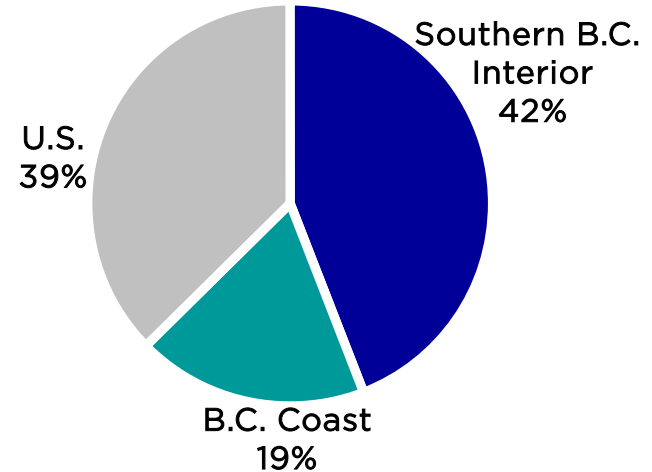


Production Capacity  
772 MMbf



Production Capacity  
1,345 MMbf

Including Crown Pacific  
and Floragon sawmills



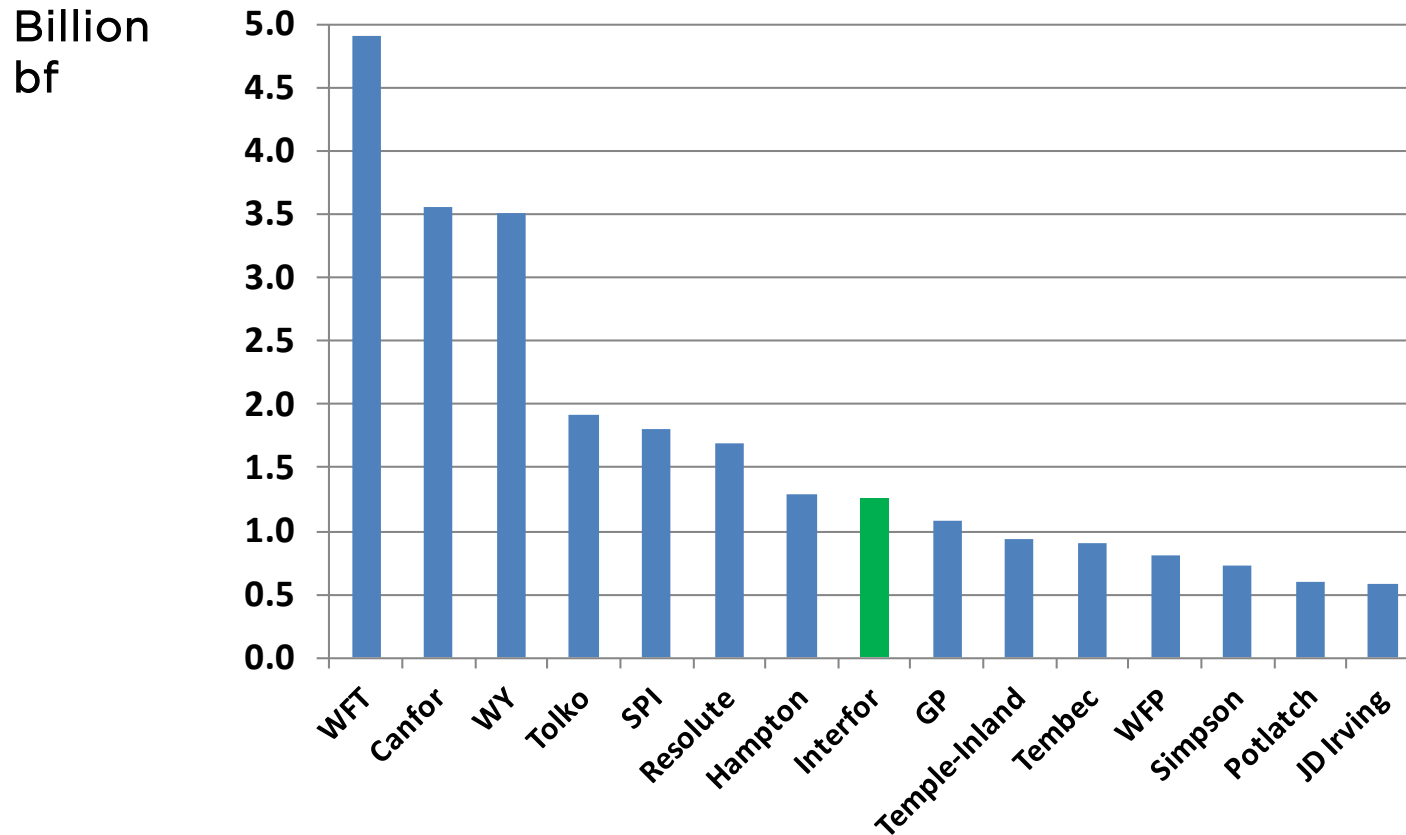
Production Capacity  
1,650 MMbf

Including Pope & Talbot and  
Portac sawmills and Adams Lake

Over the last 9 years, Interfor has more than doubled its capacity,  
rationalized its operations and diversified its revenue base

# Company Update

## North America's Largest Lumber Producers in 2011

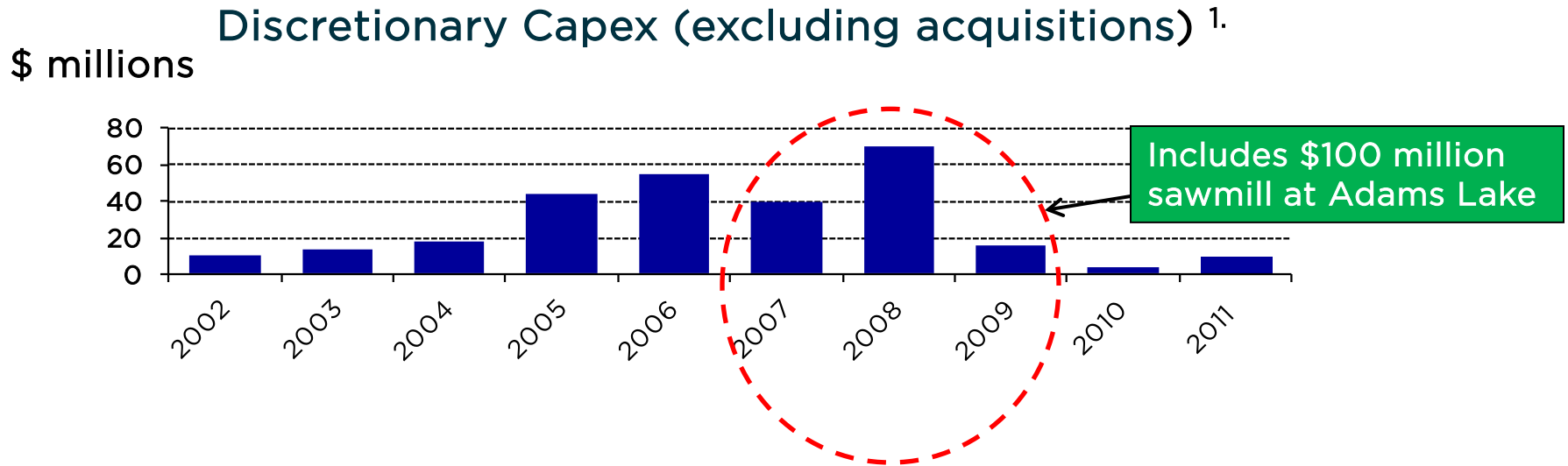


Source: Wood Markets monthly – March 2012

Interfor was the 8th largest lumber producer in North America in 2011

# Company Update

- Interfor has spent more than \$275 million in the last 10 years to upgrade its assets. Major projects were completed at Adams Lake, Molalla and Port Angeles



<sup>1</sup> In addition, Interfor spends \$20 - \$30 million per year to maintain the efficiency of its operations and on logging roads

Interfor is investing \$33 million at Grand Forks and Castlegar to optimize the manufacturing configuration at those mills

# State-of-the-Art-Facilities



# State-of-the-Art-Facilities





# Company Update

- Interfor produces a wide range of commodity and specialty offerings



Cedar siding



Cedar decking



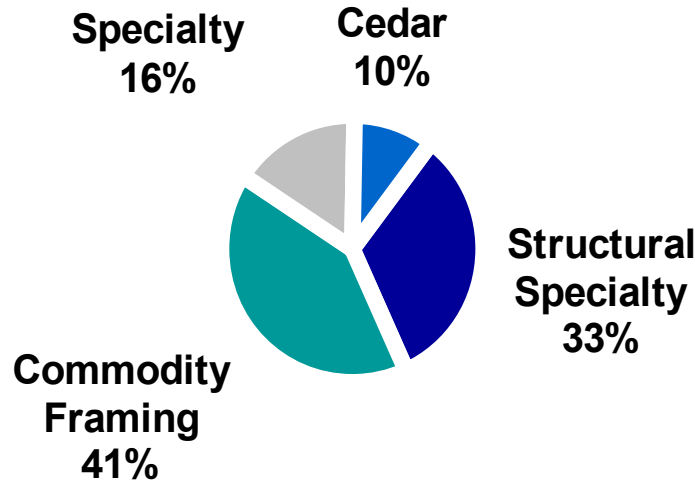
Japan structural



Facia & trim



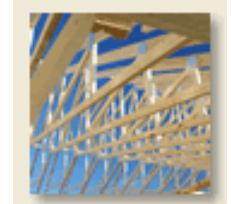
Millwork



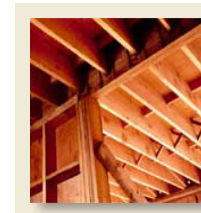
Rough cedar



Lumber



Studs



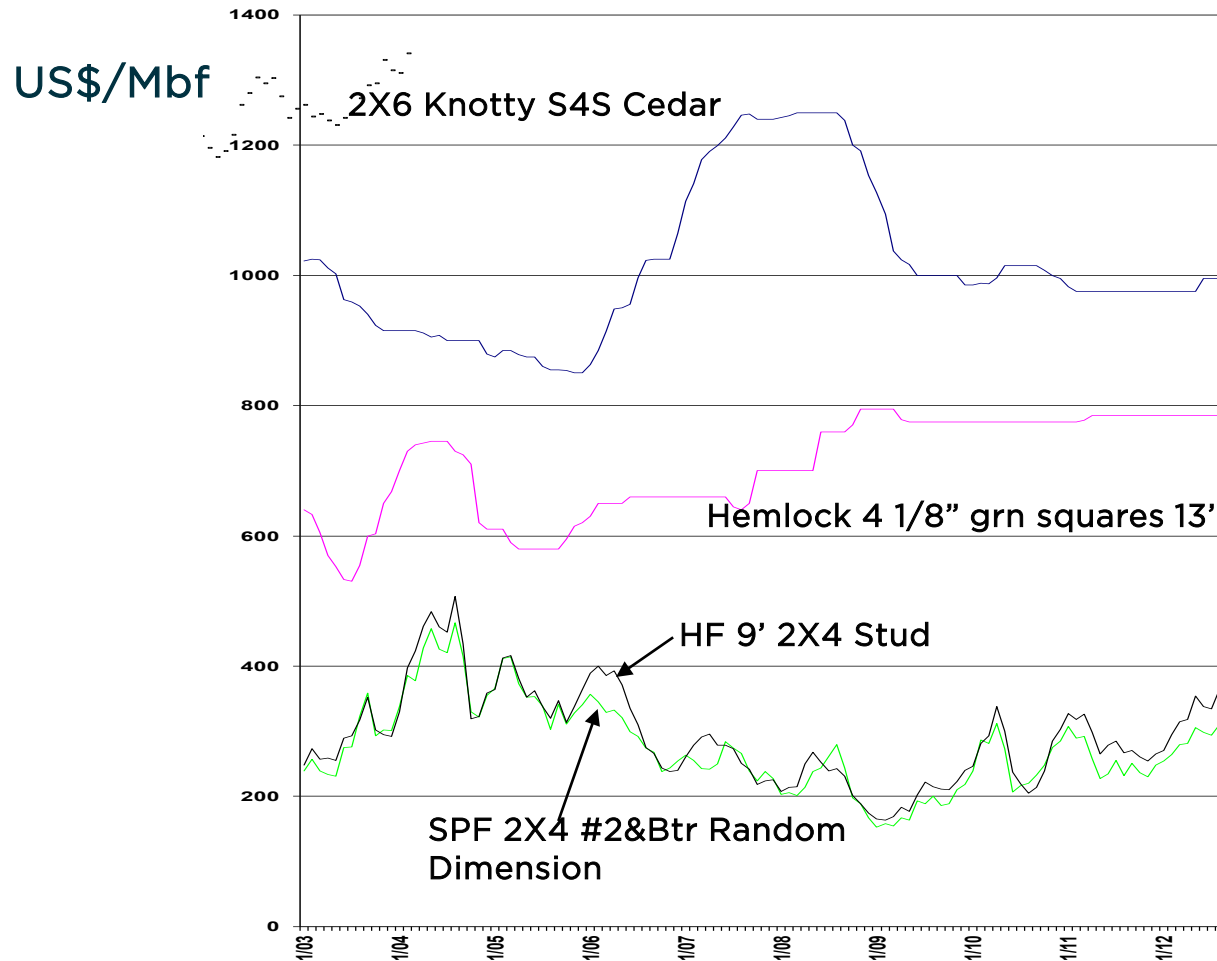
Structural dimension



Interfor's product line offering is the broadest of the major lumber producers

# Company Update

## Benchmark Prices, January '03 to August '12



Source: Random Lengths Publications Inc.

Interfor's key product lines function independently from a pricing standpoint

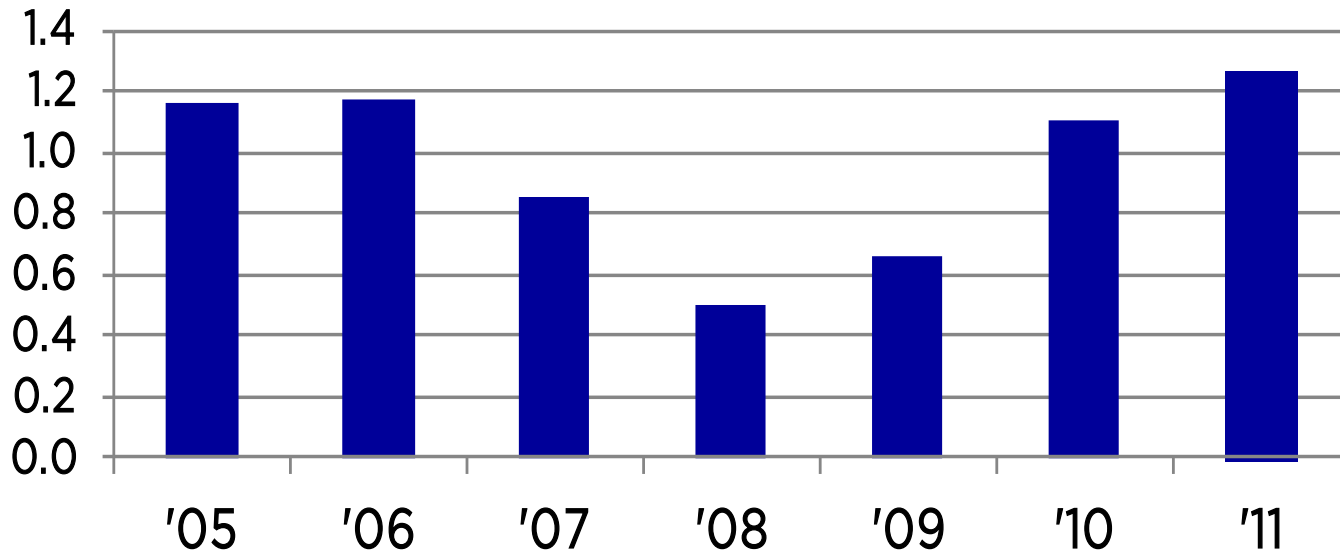
# New Interfor Brand



# Company Update

## Lumber Production - 2005 to 2011

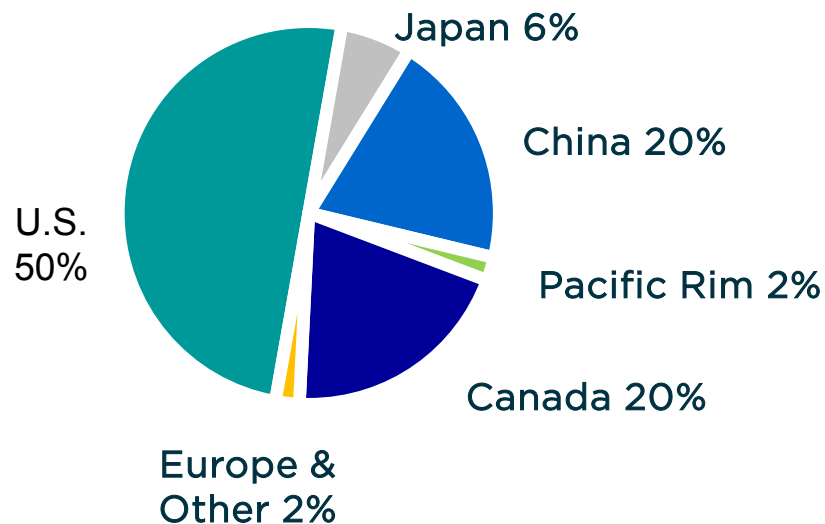
Billion bf



Interfor's production volume was 1.3 Bbf in 2011 (up 14% from 2010)

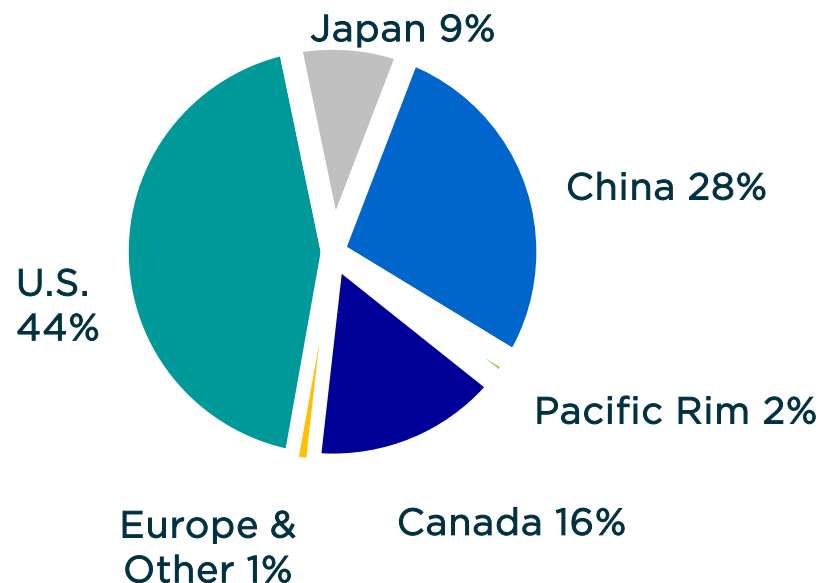
# Company Update

2010 \*



Total Lumber Sales \$482 million  
(1.1 Bbf)

2011 \*



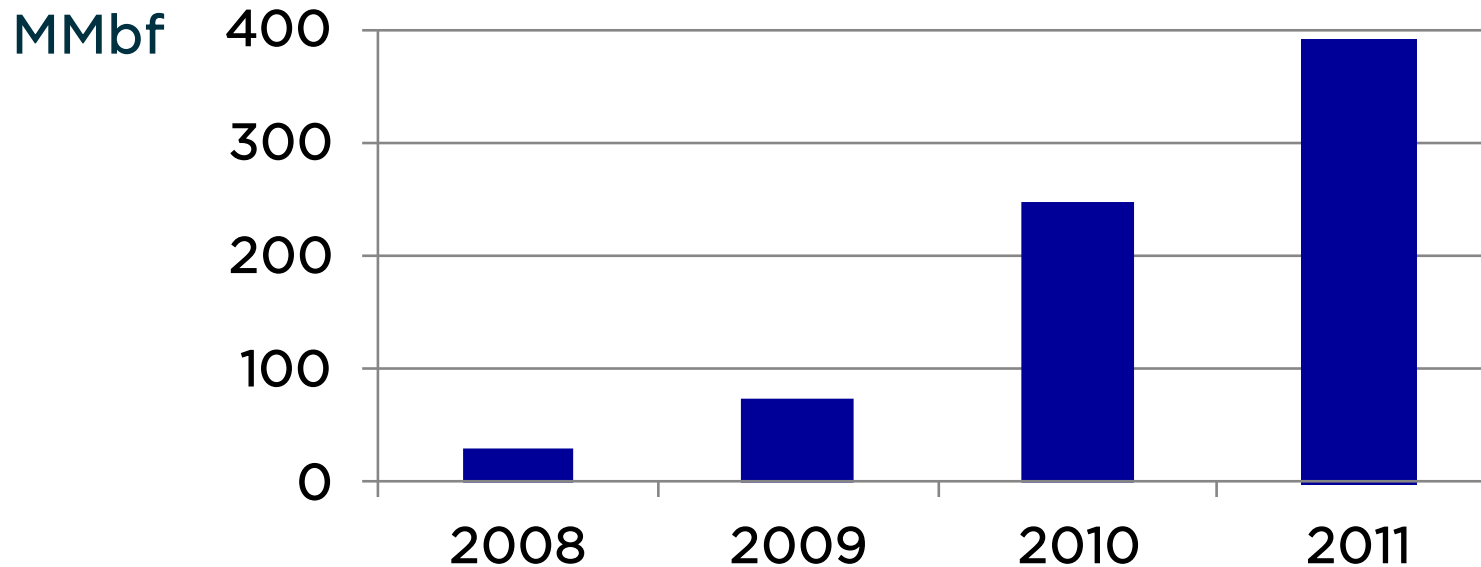
Total Lumber Sales \$538 million  
(1.3 Bbf)

\* Based on sales volume; includes wholesale activities

Interfor has a more diversified geographic sales mix than other producers; volumes to China continued to increase in 2011

# Company Update

## Lumber Volumes to China & Pacific Rim (excluding Japan)



Interfor's sales to China and the Pacific Rim increased rapidly during the past 3 years

## Section 2

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# Financial Update

# Financial Update

## Selected Income Statement / Cash Flow Items <sup>1</sup>.

C\$millions	2011	2010	2009
Sales	758.0	625.6	389.8
Net Income (Loss)	(13.5)	(5.2)	(23.9)
EBITDA <sup>2</sup> .	46.6	48.4	(6.4)
Cash from Operations <sup>3</sup> .	43.6	40.7	(21.6)
Capital Expenditures	(36.2)	(42.2)	(27.6)

1. 2010 and 2011 under International Financial Reporting Standards (IFRS); 2009 under Canadian generally accepted accounting principles (GAAP)
2. Excluding other income
3. Before changes in operating working capital

Interfor's operating results and cash flow have improved significantly since 2009



# Financial Update

- In April '11 Interfor issued 8.2 million shares @ \$7.00 for gross proceeds of \$57.6 million. Proceeds were initially used to repay debt

## Selected Balance Sheet Items

C\$ millions	Dec '11	Dec '10	Dec '09
Long-term debt	110.7	156.0	144.5
Equity	390.8	347.5	361.4
Net debt	100.3	146.7	140.7
Net debt / invested capital	20%	30%	28%

Dec 2011 and Dec 2010 under IFRS; Dec 2009 under Canadian GAAP

**Interfor's strong Balance Sheet provides insurance against uncertainty and the ability to pursue strategic opportunities**

# Financial Update

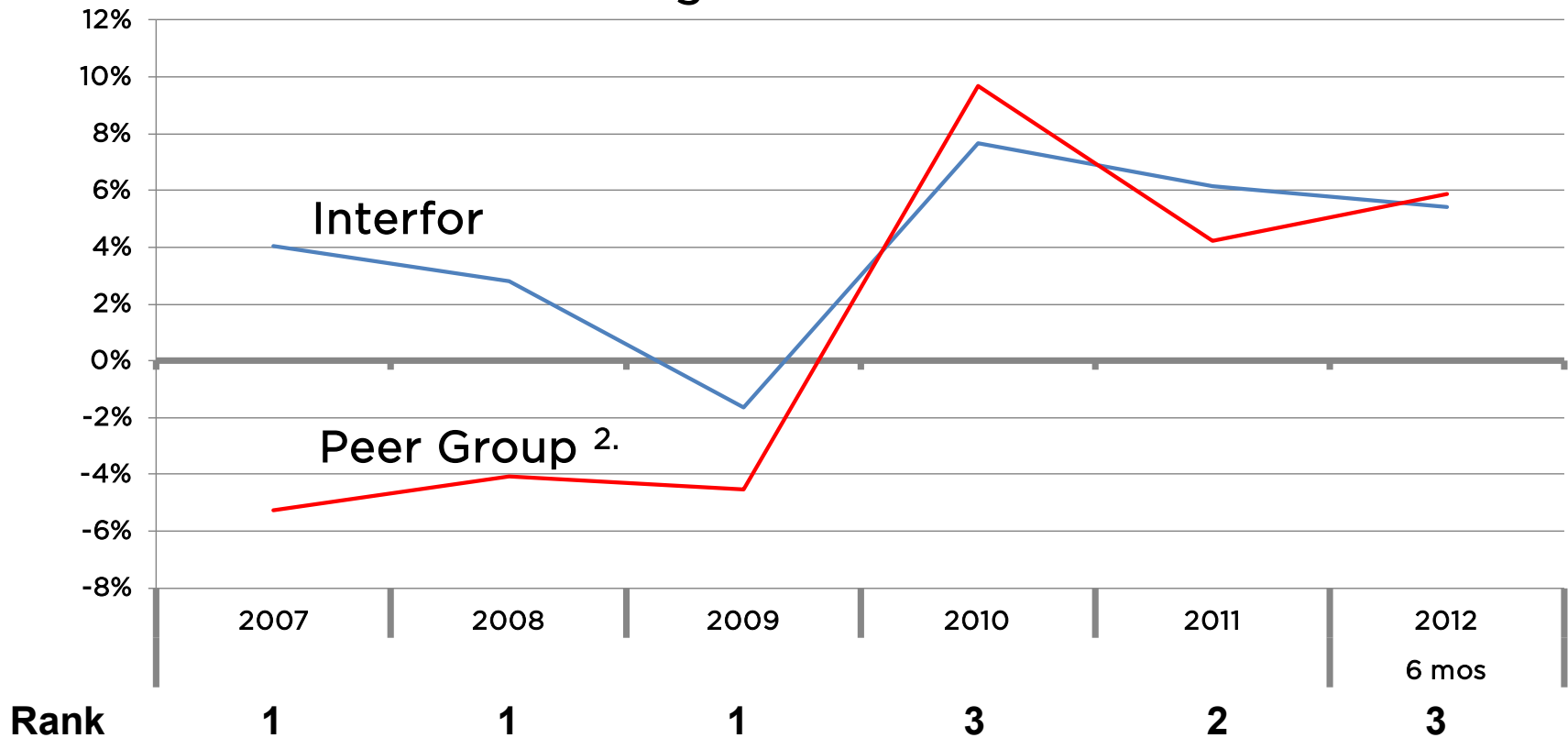
- Interfor's bank facilities were modified and extended, effective July '11

As at Dec '11	C\$millions	Operating Line	Term Line	Total
Available line of credit		65.0	200.0	265.0
Maturity		July '15	July '15	
Maximum borrowing available		65.0	200.0	265.0
Drawings & letters of credit		5.1	110.7	115.8
Unused portion of line		59.9	89.3	149.2
Cash & equivalents				10.4

At December 31,'11, Interfor had approximately \$160 million in unused credit and cash available

# Financial Update

## EBITDA Margin 2007 - Q2 2012 <sup>1</sup>.



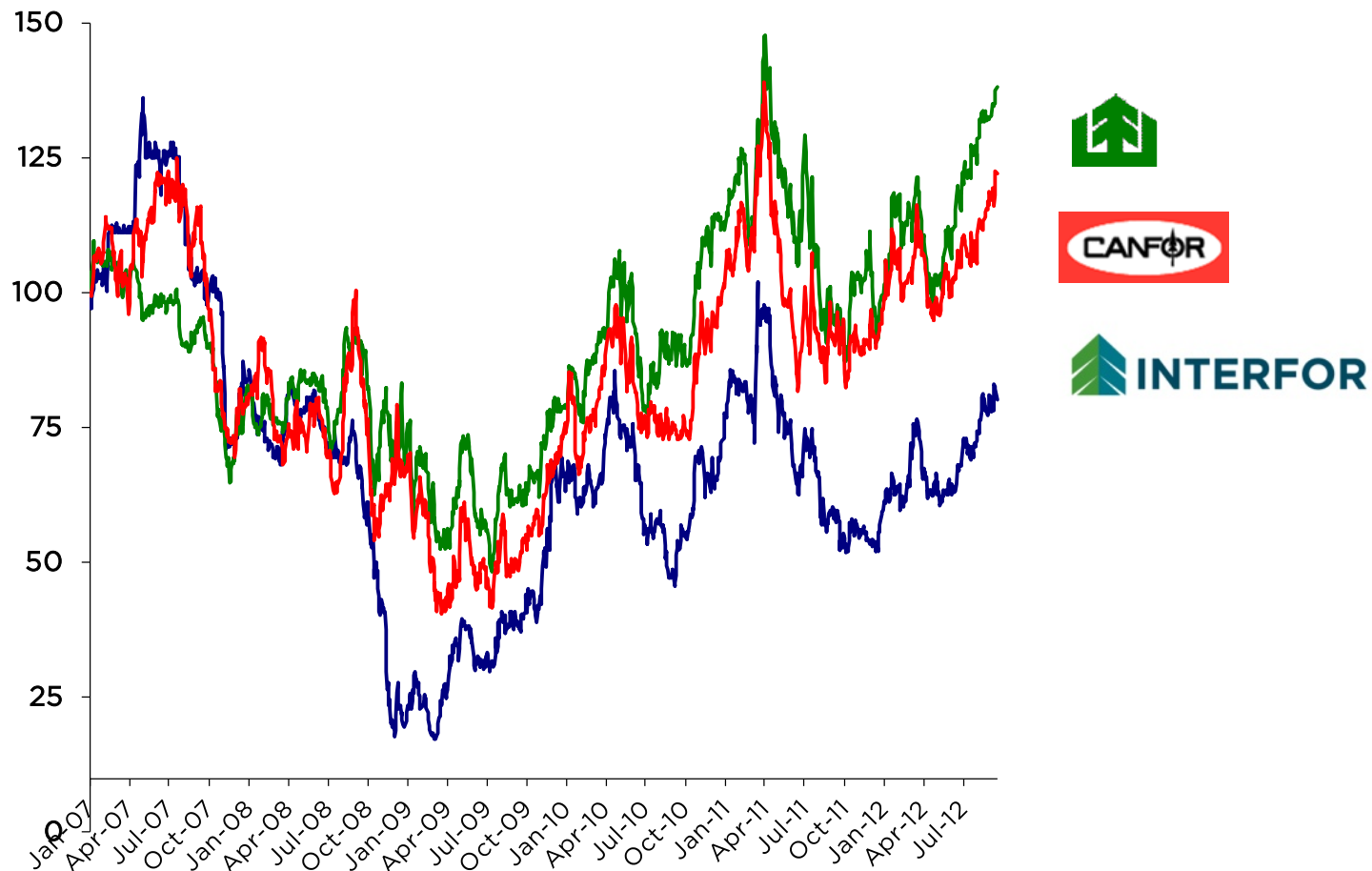
<sup>1</sup> Excludes impact of lumber duty refunds

<sup>2</sup> Peer group includes Canfor, West Fraser and Western Forest

Interfor's financial results have stacked up well versus other lumber companies in the last 5 years

# Financial Update

Share Prices Indexed from Jan 1, '07 to Sept 17, '12



Interfor 's share price has lagged CFP and WFT since mid-2008

# Financial Update

## Financial Analysts' Recent EBITDA Estimates and Indicated EV Multiples

Firm	Date	EBITDA \$C millions		EV / EBITDA	
		2012E	2013E	2012E	2013E
Raymond James	29-Aug-12	\$58.0	\$110.0	7.6	4.0
RBC	7-Aug-12	\$44.0	\$66.0	10.0	6.7
Salman	3-Aug-12	\$50.0	\$80.8	8.8	5.5
Scotia Capital	2-Aug-12	\$45.0	\$75.0	9.8	5.9
TD	6-Sep-12	\$57.9	\$80.2	7.6	5.5
BMO	27-Aug-12	\$57.0	\$76.0	7.7	5.8
CIBC	6-Aug-12	\$52.0	\$85.9	8.5	5.1
<b>Average (excl. hi/low)</b>		<b>\$52.4</b>	<b>\$79.6</b>	<b>8.5</b>	<b>5.6</b>

1. Enterprise Value based on share price at September 17<sup>th</sup> '12 and Interfor Net Debt at June 30<sup>th</sup> '12

**Interfor is trading at 8.5x analysts' 2012 EBITDA estimates and 5.6x 2013 estimates**

# Section 3

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## Key Takeaways

# Key Takeaways

- Interfor has been radically transformed over the last 7 - 8 years
- Interfor is positioning its assets to be top quartile (top decile)
- Interfor has a balanced geographic manufacturing base and diversified product lines and market exposure
- Interfor has a strong balance sheet and approximately \$160 million<sup>1</sup> in unused credit lines and cash
- Interfor has a strong track record of performance
- Interfor is trading at 8.5x and 5.6x analysts' 2012 and 2013 EBITDA estimates

1. Dec 31, 2011

**Interfor is positioned to take advantage of the recovery**

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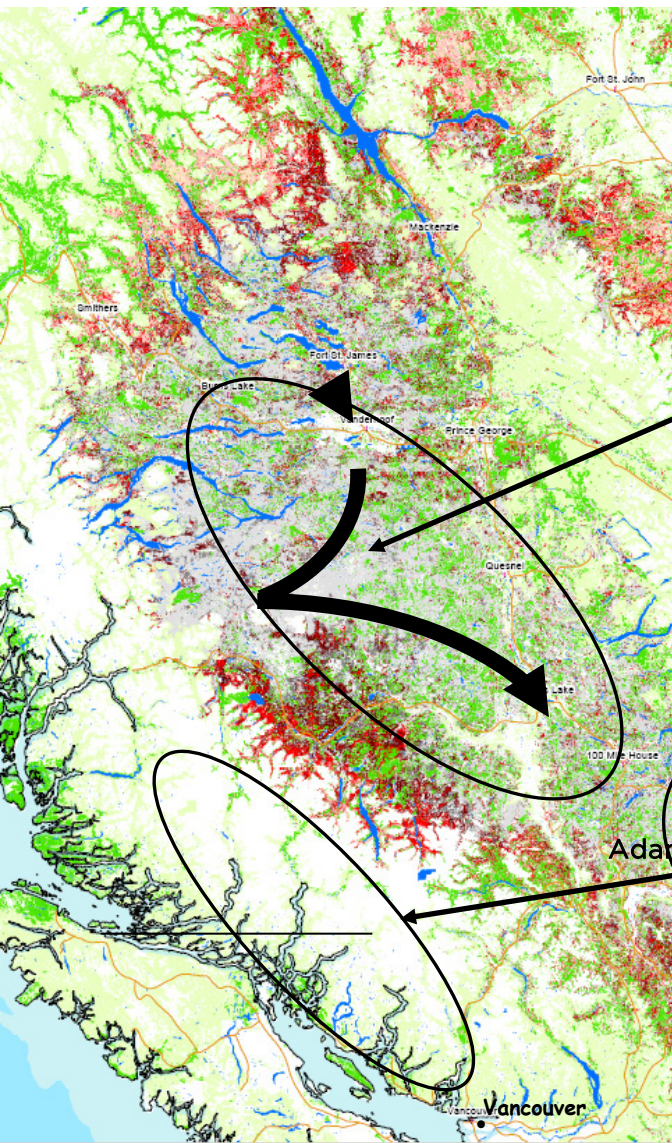
# APPENDIX

- Impact of Mountain Pine Beetle in B.C.
- China: Wood Frame Construction Markets
- U.S. Housing Market

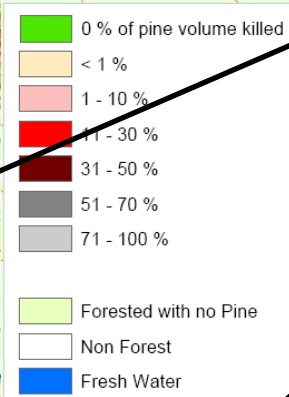


## Impact of Mountain Pine Beetle in B.C.

# Mountain Pine Beetle (MPB) - Area Affected



**Observed Percentage of Pine Killed\* by 2009**  
 \* red- and grey-attack phase



**Central and Northern B.C.**

**50 - 75% Pine**

**Adams Lake in Southern B.C.**

**28 - 30% Pine**

**Castlegar & Grand Forks in Southern B.C.**

**17% Pine**

**Coastal B.C. Woodlands**

**No Pine**

**AAC<sup>1</sup>  
MMm<sup>3</sup>**

**0.0**

**0.5**

**1.0**

**2.0**

**3.5**

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

Source: Ministry of Forests,

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

## China: Wood Frame Construction

# China Markets - Wood Frame Construction

Wood truss re-roofing (east and north China)



Suburban villas (east, north, n-east, s-west)



Low cost rural housing (south-west)



Resort homes (north)



# China Markets- Sectors under development

Public buildings



Apartment infill walls / partition walls



Multi-story residential



Mixed-use hybrid



# China Markets- Use of B.C. Wood in Construction

House framed with SPF lumber



SPF used for furniture frames



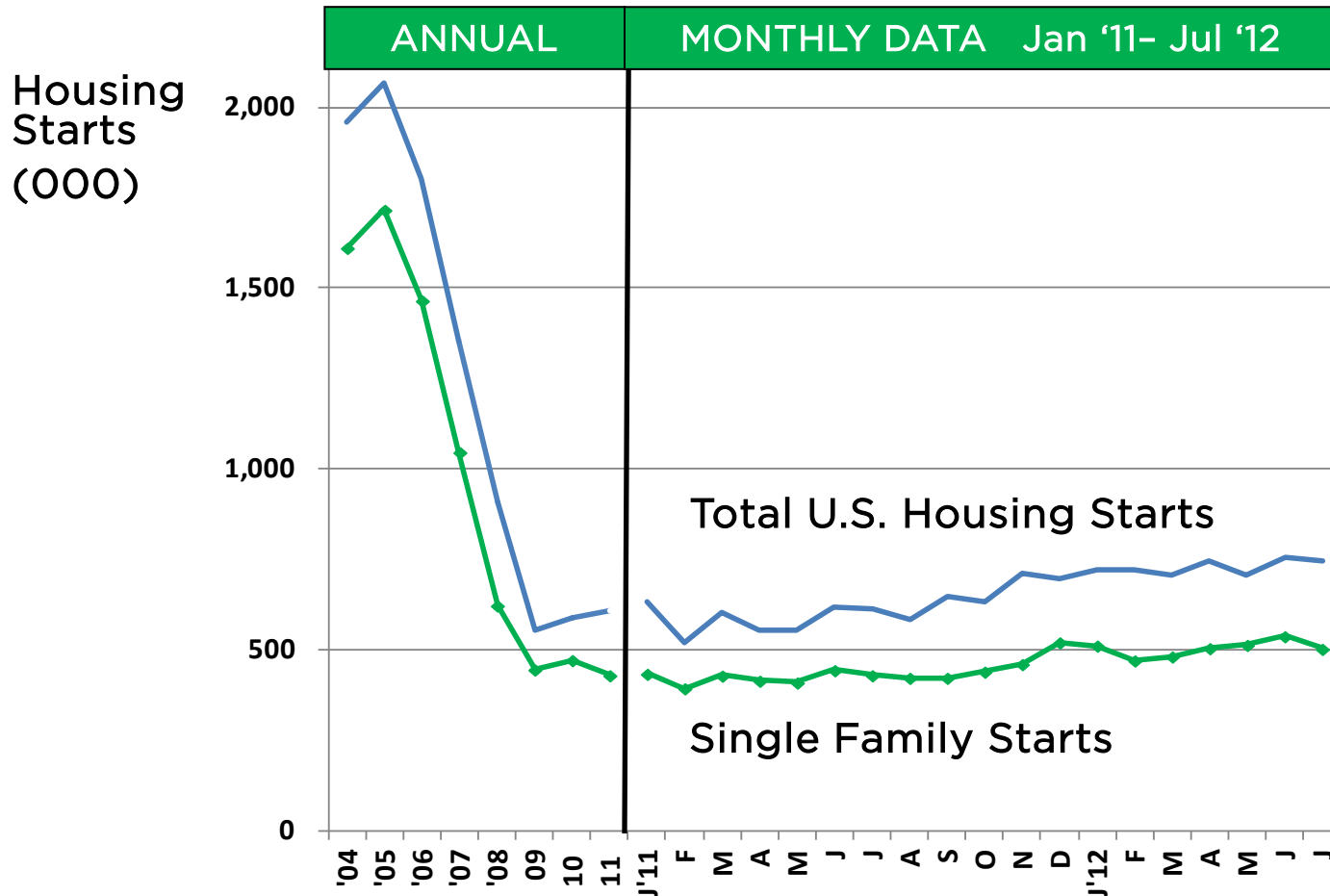
Cedar used as siding and for outdoor structures



## U.S. Housing Market

# U.S. Housing Starts 2004 - July 2012

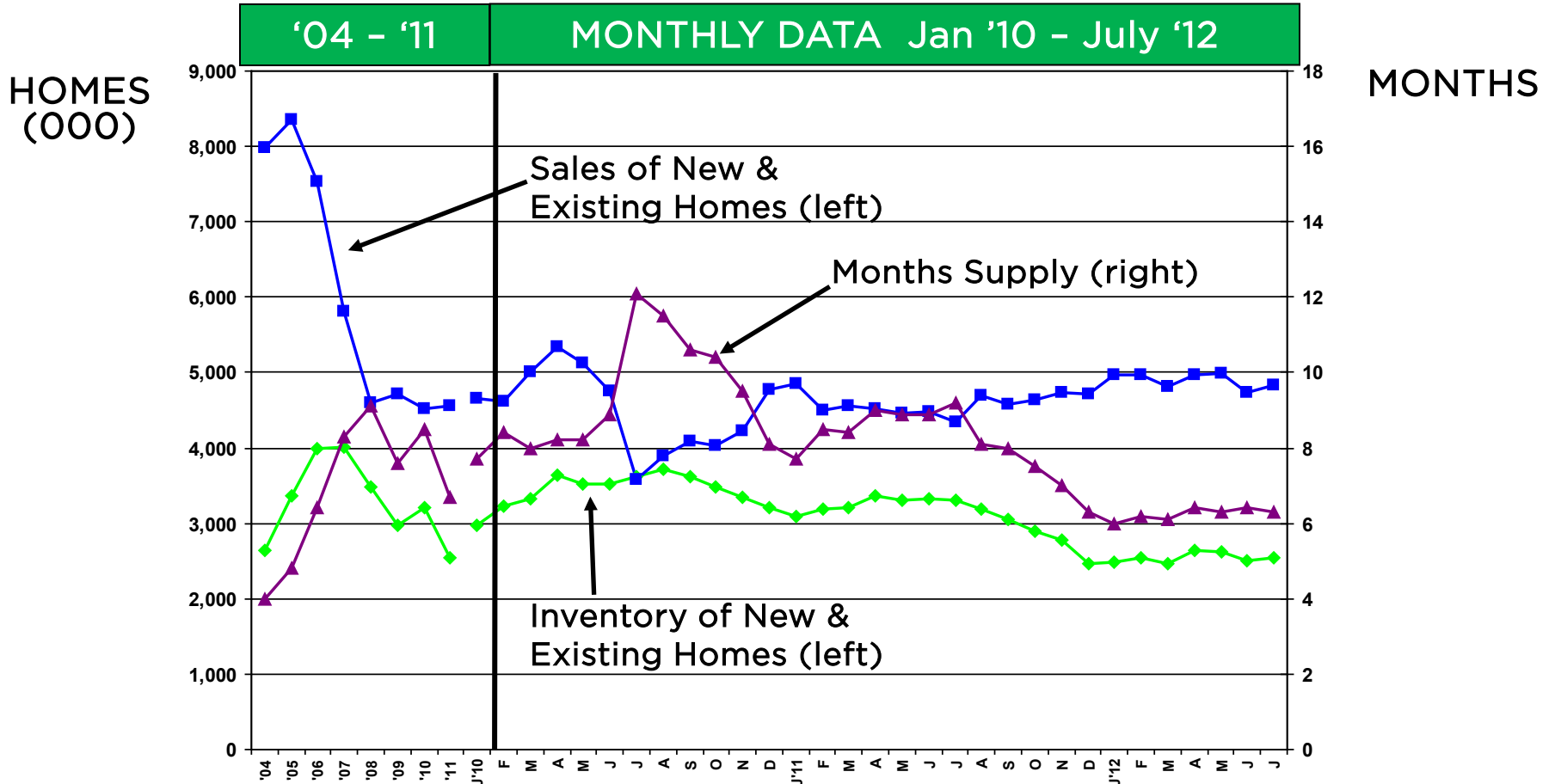
- New house construction is the largest driver of lumber consumption in the U.S.
- Starts peaked at 2.1 million units in 2005 and dropped to 480,000 units in early 2009
- Starts averaged 609,000 units in 2011 and 728,000 units YTD, 2012





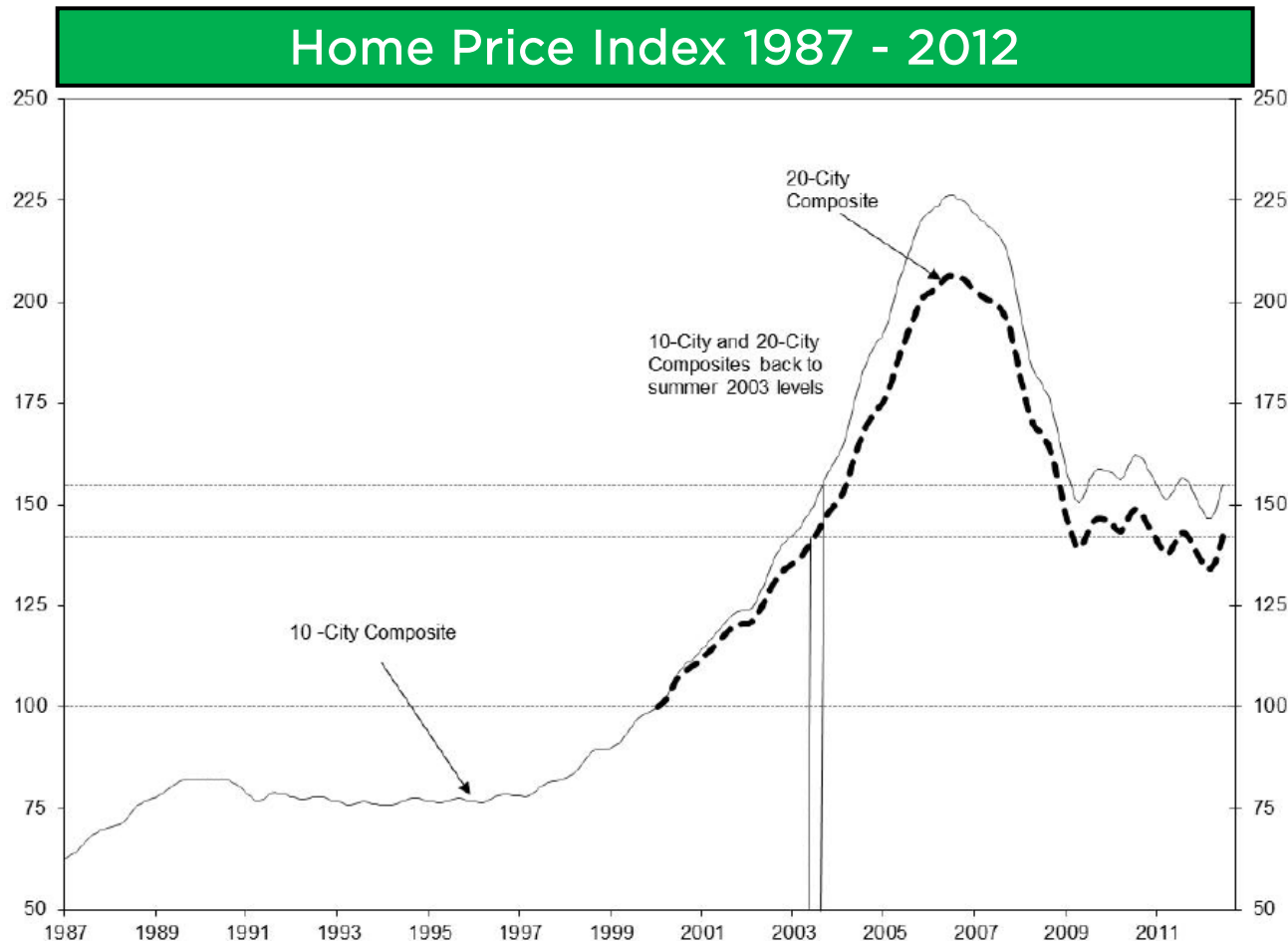
# Total New & Existing Homes 2004 - July 2012

- Total sales of new and existing homes are currently at 4.8 million units, below normalized levels of 6-7 million units
- Months supply were at 6.3 months in July '12; above a normalized level of 5-6 months



# U.S. Home Price Trend - S&P's Case-Shiller Indices

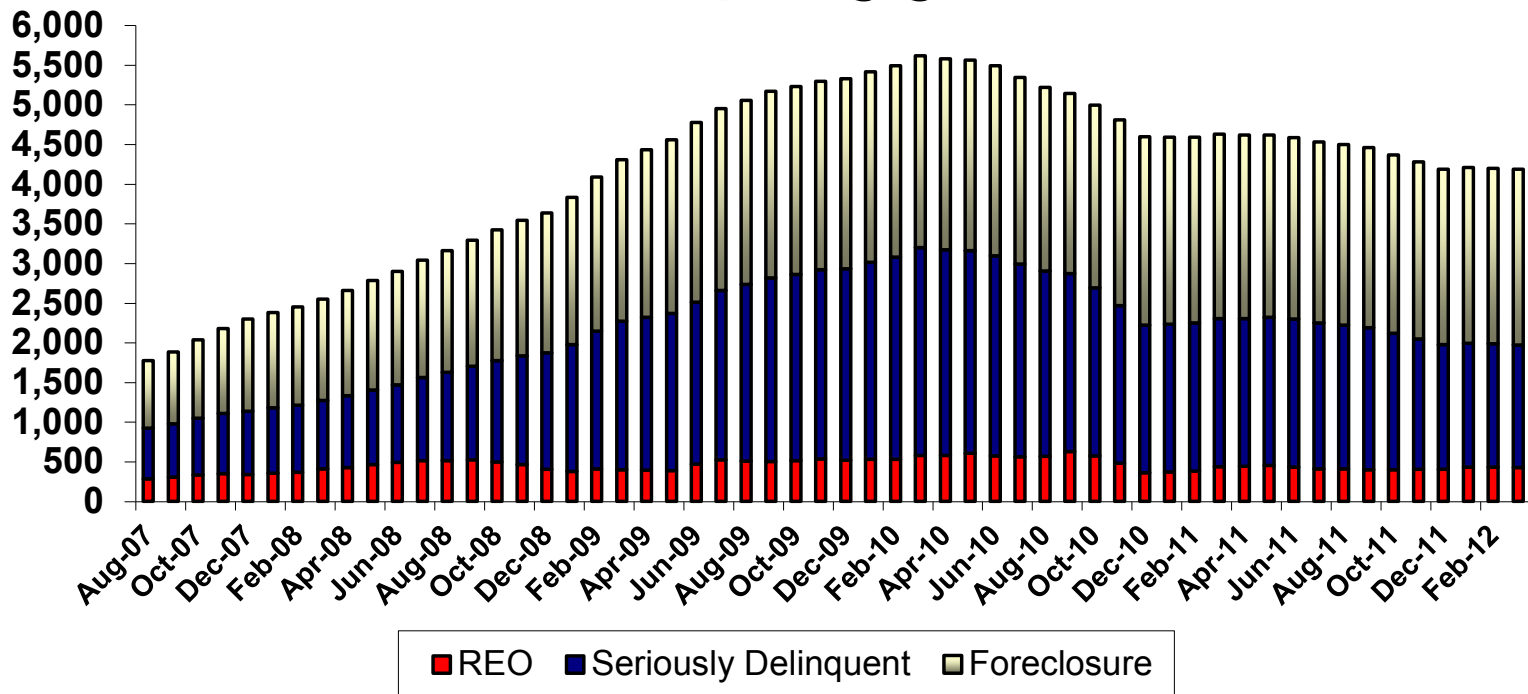
- The 10 and 20 City monthly composite index increased by 2.2 and 2.3% respectively m/m in June; yr/yr prices increased 0.1 and 0.5%.
- As of June, 2012, average home prices are back to early 2003 levels.



# Uncertainty Around the U.S. Housing Recovery <sup>1</sup>.

- The estimated “Shadow Supply” of housing inventory (distressed homes) peaked at 5.8 million in March 2010 and declined to 4.2 million as of March 2012

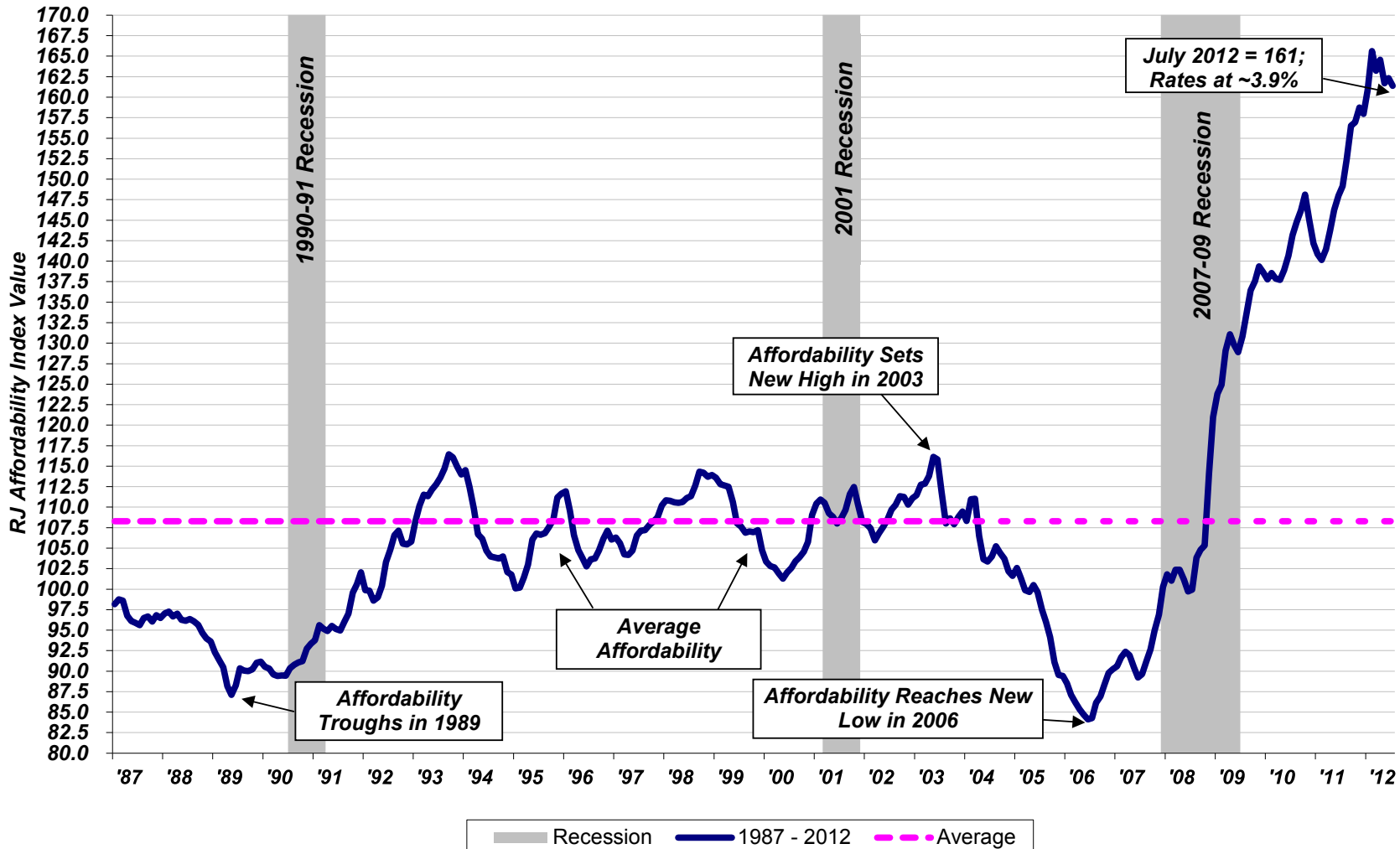
## REO Inventory, Foreclosures in Process, and Seriously Delinquent Loans Number of Homes/Mortgages in Thousands



- Although some progress is evident, this inventory remains a drag on new house construction and house pricing

# U.S. Home Affordability is High

- Affordability has risen to record highs during the 2009-12 period which could positively impact the recovery



# Investor Update

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**Duncan Davies**  
President & CEO