

**REMARKS**  
to  
**2013 ANNUAL GENERAL MEETING**  
by  
**Duncan K. Davies**  
**President & CEO**  
**INTERNATIONAL FOREST PRODUCTS LIMITED**  
**May 10, 2013**

Good afternoon,

Thank you Lawrence. I would like to welcome you here today and thank you for taking the time to attend this important event and to learn more about our Company.

I'm excited about the progress we've made in recent years and look forward to bringing you up-to-date here today.

Before I do that, I'm going to provide you with a quick overview of Interfor's results in 2012.

### **Financial Results**

Business conditions improved in 2012 as the year progressed.

The long-awaited recovery in US housing gained momentum in 2012.

At the same time, demand for lumber continued to grow in China and in other offshore markets.

The combination of higher demand and modest increases in supply created a much better pricing environment. Prices – measured by the Random Lengths Composite Index – were up 18% year-over-year.

Interfor took advantage of its strong market position to ramp up production and sales activity in 2012, as we had in each of the last 4 years.

Production increased 7% last year to 1.4 billion board feet, representing a capacity utilization rate of 82% for the year. And sales kept pace with production.

In financial terms, the benefits of higher production and sales volumes along with higher prices referred to a minute ago contributed to improved results in 2012 compared with the year prior.

Excluding share-based compensation and certain other items, Interfor earned \$3.7 million or \$0.07 per share last year, compared with a loss of \$5.8 million or \$0.11 per share in 2011.

EBITDA, reported on the same basis, was up almost 30% to \$60.5 million versus \$47.3 million in 2011.

Net debt closed the year at \$120 million or 24% of invested capital.

## **Strategic Positioning**

In 2012, we stayed true to our plans to position Interfor for long-term success.

Highlights for the year included the completion of capital projects at Adams Lake, Grand Forks and Castlegar; and agreement to acquire Rayonier's Wood Products Business in the US Southeast which was announced shortly after year-end.

The most significant of the capital projects was the installation of a new small log line and automated lumber grading system at Grand Forks utilizing similar technology to that installed at Adams Lake a few years ago.

The new line commenced start-up in December and has ramped up very quickly. The mill has been operating at pro forma from a productivity standpoint since February. And, it has exceeded pro forma on product quality and recovery since start-up.

Based on the results achieved to-date we are comfortable the mill will meet or exceed our financial return expectations.

Perhaps, more significantly, we announced in early January agreement to acquire Rayonier's Wood Products Business in the US Southeast.

When all the dust settled, the final purchase price worked out to C\$86.6 million, including \$10.1 million in working capital.

The acquired operations include three sawmills located in south central Georgia with a combined annual capacity of 360 million board feet of southern pine dimension lumber.

The acquisition is consistent with our strategy of acquiring capacity in attractive regional markets and brings our combined annual capacity to more than 2 billion board feet.

More important, the acquisition establishes a foothold for Interfor in the US Southeast, a market we have been looking to enter for many years, and where we believe more opportunities for growth exist.

The transaction closed on March 1<sup>st</sup> and was financed from our existing lines of credit.

## **Q1, 2013**

I would now like to report on our results for the 1<sup>st</sup> quarter of 2013 and the Outlook for the balance of the year.

The momentum evident in the fourth quarter last year continued unabated into the first quarter.

The Random Lengths Composite Index was up US\$66 or 19% quarter-over-quarter, and US duty rates were 0% versus an average of 8% in Q4. Our key export markets in China and Japan recorded higher prices as well.

We benefitted as well in the first quarter from the ramp up at Grand Forks and the inclusion of our US Southeast operations for the month of March.

All-in, Interfor earned \$17.8 million or \$0.32 per share in the quarter before share-based compensation expense and certain other items. EBITDA, reported on the same basis, was \$37.1 million in the quarter.

This compares to earnings of \$3.5 million or \$0.06 per share in the fourth quarter and a loss of \$4.1 million or \$0.07 per share in the first quarter of last year. EBITDA was \$19.3 million in the fourth quarter and \$7.0 million in the first quarter last year.

Net debt closed the quarter at \$203 million or 34% of invested capital reflecting primarily the cash laid out on the Rayonier acquisition.

## **Outlook**

Market conditions have tailed off somewhat in recent weeks in what I would describe as normal seasonal lull.

The Random Lengths Composite Index closed Friday last at US\$396, down almost US\$55 from its peak in early April.

We expect the current market tone to continue for the next while although we expect prices to remain well above the levels reported a year ago, absent a major economic or political shock. Some inflation in log costs is likely to take hold as well.

Offsetting these factors, at least in part, will be additional production at Grand Forks and the inclusion of the US Southeast in our results for a full quarter.

As always, we will continue to focus on building Interfor for long-term success.

We are working actively on the integration of our Southeastern operations.

We announced in March agreement to purchase two timber tenures in the Kootenay Region of British Columbia from Springer Creek to support an increase in production at our Castlegar mill.

That transaction received regulatory approval shortly after the announcement and closed on May 1<sup>st</sup>.

## **Closing**

In closing, I would once again like to thank the members of our Board of Directors for their wise counsel and support over the last year.

In particular, I would like this year to single out two directors, Harold Kalke and Shaun Sullivan, who retired from our Board effective today.

Harold has served on our Board since July 2000; Shaun joined the Board in May 2001. Both made significant contributions to our Company during their time as directors.

I know I speak for all of the members of our Board, and for our management team, in thanking Harold and Shaun for their time with Interfor.

I would also like to extend a welcome to Andrew Mittag and Scott Thomson who joined the Board in October in anticipation of Harold and Shaun's retirement and who were formally elected as directors here today. Both Andrew and Scott have considerable experience in corporate development activities and in the capital markets. We are looking for big contributions from both of them as we strive to position Interfor as the most profitable, valuable and respected lumber company in the world.

I would also like to thank the members of our management team, our staff and our employees for their dedication to our Company and for their contributions over the last year.

Last but not least, I would like to thank our shareholders for their patience and support.

I continue to believe we are on track to build a company that makes us all proud.

Thank you for being here today and thank you for your interest in our Company.