



## *Building Value*

February 2008

Duncan Davies,  
President and CEO

# Forward-Looking Statements

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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 2007 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.

# Section 1

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## *Introduction and 2007 Review*

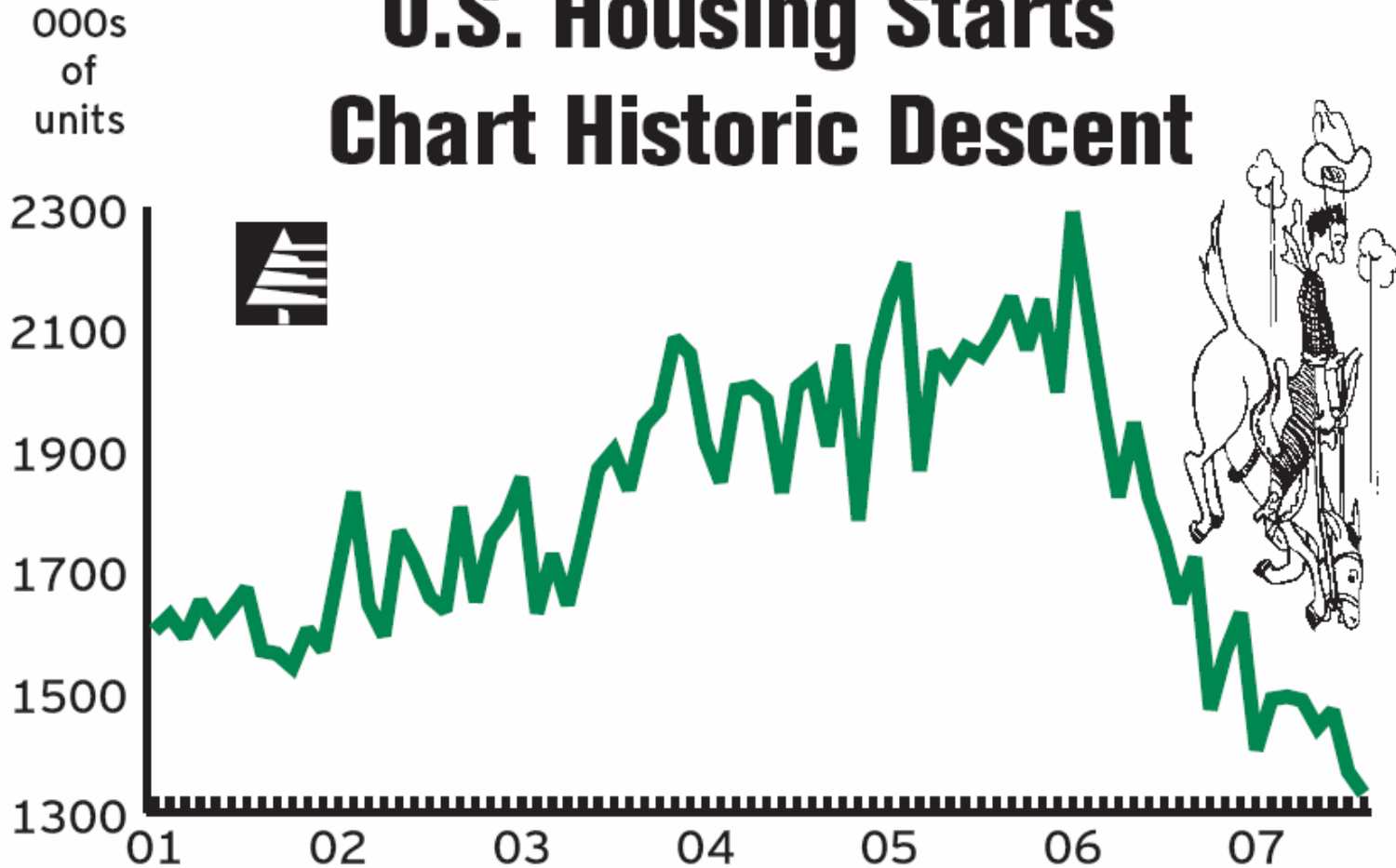
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# Interfor's Goal Remains Unchanged

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*Interfor's goal is to become one of North America's leading  
lumber and building products companies and, in doing so, to  
provide superior returns for shareholders*

## U.S. Housing Starts Chart Historic Descent



Source: U.S. Census Bureau

Random Lengths: November 2, 2008

## 2007 in Review

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- *Collapse in U.S. housing market impacts demand and product prices*
- *Rising C\$ and Coastal labour dispute negatively impact results as well*
- *Overall, Interfor lost \$13.3 million or \$0.28 per share in '07 (compared with earnings of \$95.5 million or \$1.97 per share in '06)*

# 2007 in Review

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- ***In spite of loss, Interfor performed better than other lumber companies; EBITDA was \$25.8 million or 4.2% of sales***
- ***Reasons***
  - ***Diversified product lines***
  - ***Geographic diversification***
  - ***Restructuring program***
- ***Balance Sheet remains in great shape with net debt of \$8.1 million (1.9% of invested capital)***

# 2007 in Review

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- ***Significant progress was made on “strategic initiatives”***
  - ***Port Angeles – DLI, COS, Planer***
  - ***Adams Lake – energy system, new mill announced***
- ***Acquisition of P&T underway***
  - ***Castlegar and Grand Forks (450 million bf)***
  - ***1 million m<sup>3</sup> AAC***

# 2007 in Review

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- *2008 will be tough; 2009 too*
- *Conditions in place for significant up-tick when U.S. housing market rebounds*
- *Interfor's strategy is to position for the long-term*
- *Key focus areas for '08:*
  - *Manage for cash*
  - *Complete Adams Lake*
  - *Close the P&T deal / reposition operations*
- *Interfor will stay tuned for opportunities to grow (and build long-term value)*

## Section 2

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# *Strategy Implementation and Plans*

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# Interfor's Key Strategies

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- 1. Monetize non-core and non-performing assets***
- 2. Invest in core facilities to achieve top quartile (top decile) performance***
- 3. Grow in regions with attractive fundamentals***
- 4. Enhance product and customer positioning***
- 5. Maintain a strong financial position***

# 1. Monetize Non-core and Non-Performing Assets

- *Interfor has generated \$193 million in the last 4 years; further proceeds can be expected*
- *Queensboro - assessing options; mill is indefinitely curtailed*

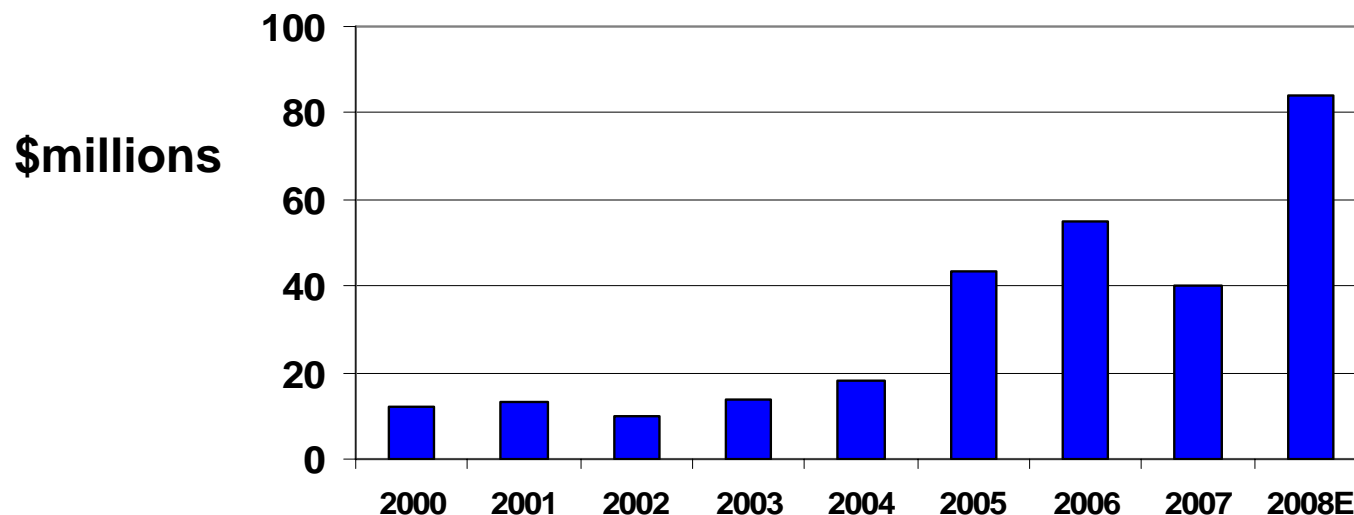
## *Interfor's Queensboro Sawmill Site*



49 acres

## 2. Invest in Core Assets

- *Interfor has accelerated its capex plan to ensure core operations are capable of achieving top quartile (decile) performance*



*In addition, Interfor spends \$20 - \$30 million per year to maintain the efficiency of operations and on logging roads  
2008 capex includes ~80% of the new Adams Lake sawmill*

- *Discretionary spending will peak in '08 at \$84 million; '09 expected to drop back to \$25 million*

## 2. Invest in Core Assets – Port Angeles

### *Port Angeles new primary breakdown line*

**Wave Log Feeders  
and Full Line**



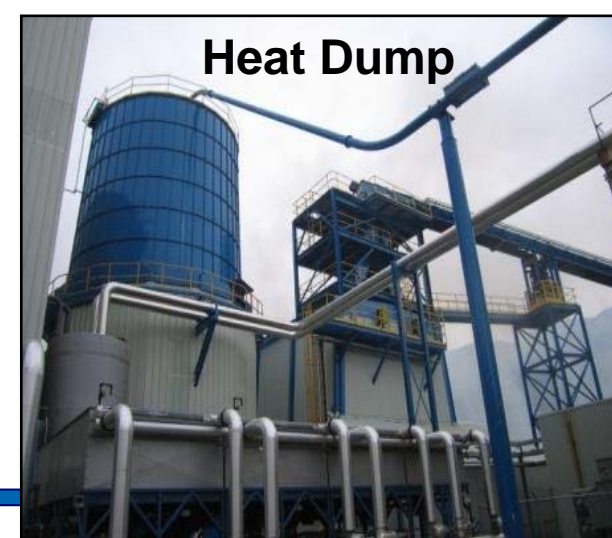
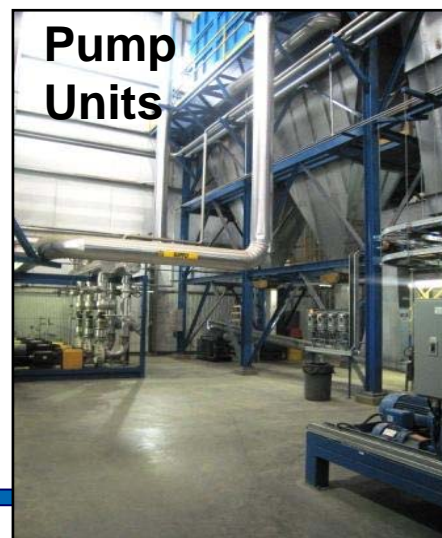
**New Line Building**

**Double Length Infeed  
(DLI) Canter Line**



## 2. Invest in Core Assets – Adams Lake

*Wood Waste Energy System & Site Improvements installed in 2006/7*



## 2. Invest in Core Assets – New Adams Lake Sawmill Outline



## 2. Invest in Core Assets – New Adams Lake Sawmill

*Project is on-time and on-budget*



*Sawmill Sorter & Stacker are in place*

INTERFOR

## 2. Invest in Core Assets – Adams Lake

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### *Acquisition of Weyerhaeuser's Forest Licence*

- *Agreement announced to acquire a timber tenure located in Adams Lake's timber basket*
- *AAC of approximately 356,000 m<sup>3</sup>*
- *Helps to offset the impact of the Mountain Pine Beetle*
- *Increases Adams Lake's tenured wood supply from 25% to 50%*

### 3. Grow in Regions with Attractive Fundamentals

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#### *Acquisition of P&T Mills is “On Strategy”*

- *Draws on Interfor’s core strengths of restructuring and repositioning underperforming assets*
- *Adds ~1.0 million cubic meters of AAC in the Southern B.C. Interior*
- *Broadens product lines in specialty and commodity grades*
- *Opportunity to improve performance with and without capital*
- *Attractive price enhances potential ROA*
- *Purchase price is equivalent to:*
  - *1.9 X 2004 peak EBITDA*
  - *\$120/Mbf of lumber capacity*

### 3. Mills Being Acquired - Castlegar, British Columbia



- **503,000 m<sup>3</sup> of AAC**
- **Species mix – SPF, Douglas Fir, Hemlock, Cedar**
- **3-line mill: produced 250 MMbf in 2006**
- **Product mix – MSR, Long Lengths, Cedar, J Grade, Timbers, Dimension Lumber**
- **Wood fired energy system in place**
- **Strong residuals takeoff with Zellstoff Celgar Pulp mill**

### 3. Mills Being Acquired – Grand Forks, British Columbia

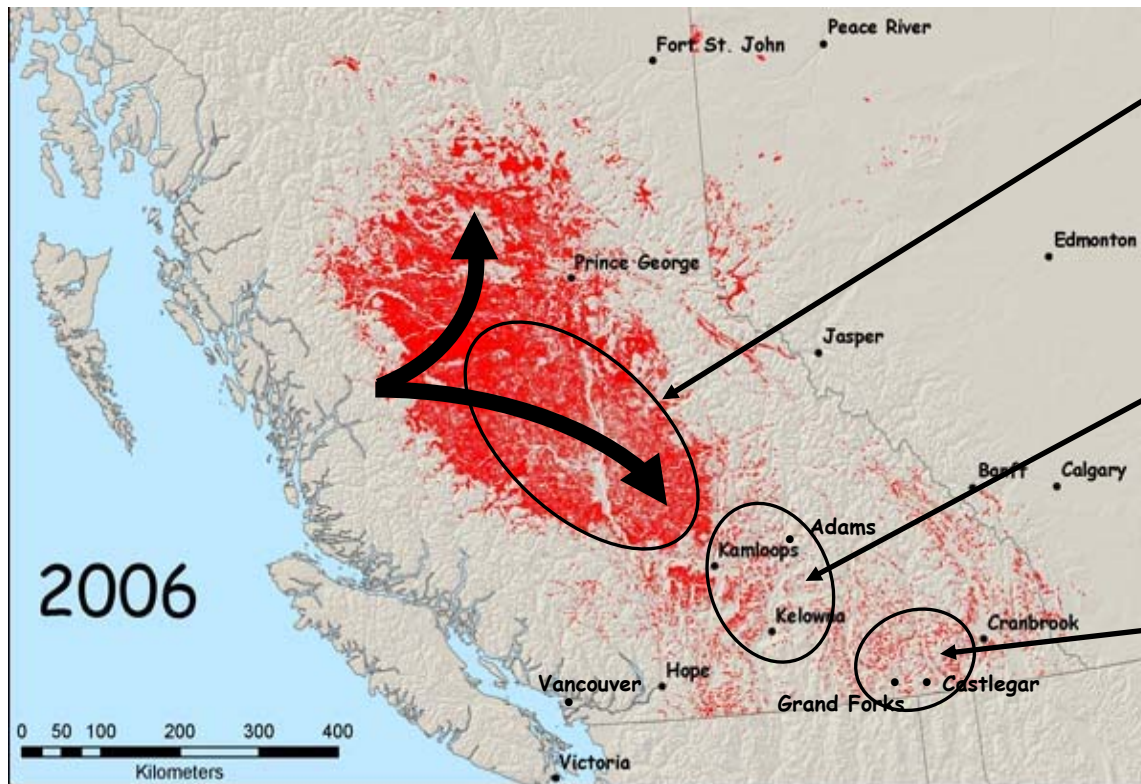


- **503,860 m<sup>3</sup> of AAC**
- **Species mix – SPF, Douglas Fir**
- **Recently expanded mill site**
- **2 line sawmill: Produced 175 MMbf in 2006**
- **Product mix – MSR, Long Lengths, J Grade, Dimension Lumber**
- **New high speed planer line in 2006**
- **Strong residuals takeoff with Zellstoff Celgar Pulp mill; hog sales linked to natural gas price**

### 3. Grow in Regions with Attractive Fundamentals

*Interfor's southern B.C. Interior wood baskets are less exposed to the MPB than B.C.'s central and northern interior regions*

#### **Mountain Pine Beetle (MPB) – Area Affected**



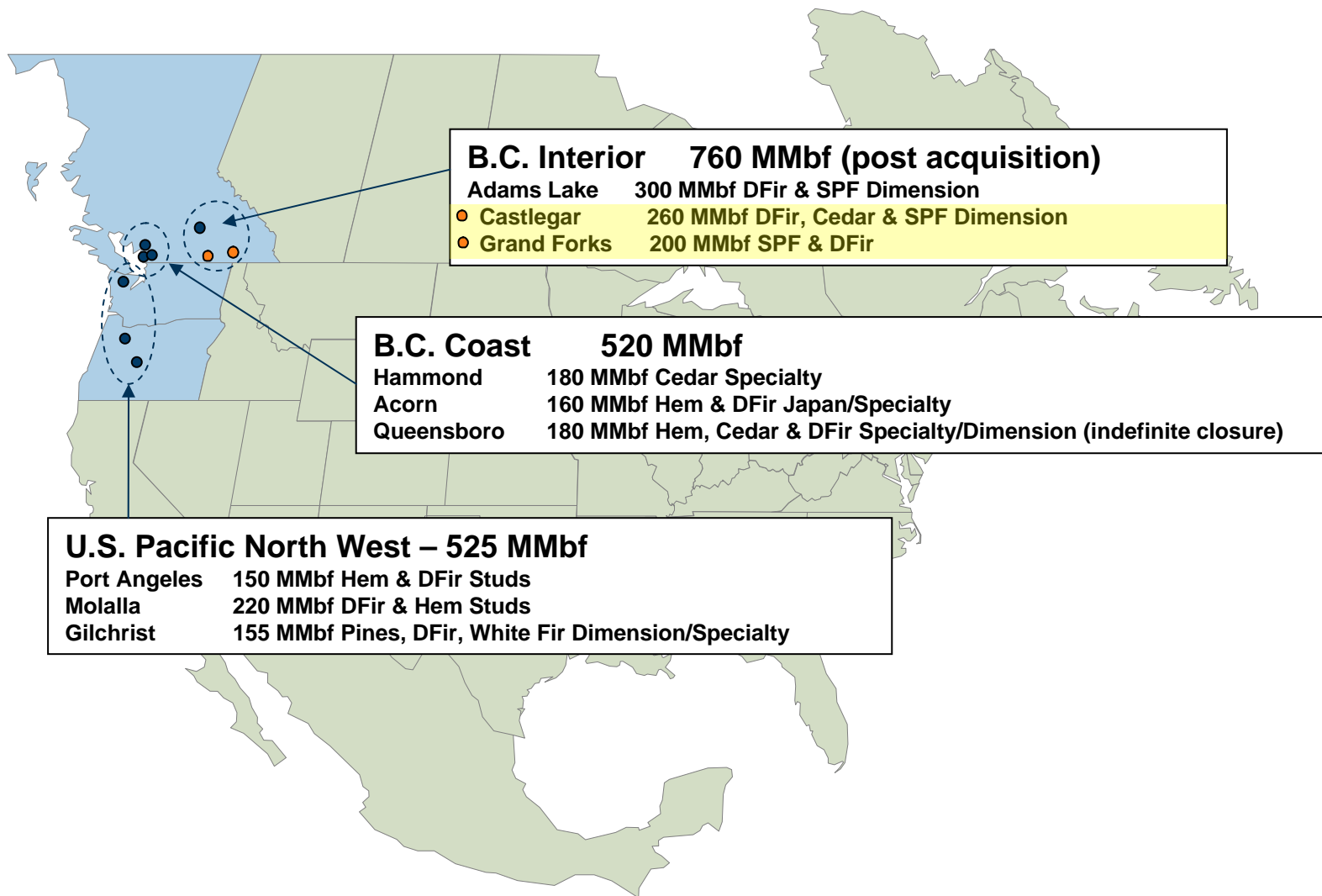
**Central and Northern B.C.**  
**50 – 75% Pine**

**Adams Lake in Southern B.C.**  
**28 – 30% Pine**

**Acquired P&T Mills in Southern B.C.**  
**17% Pine**

Source: Ministry of Forests, COFI

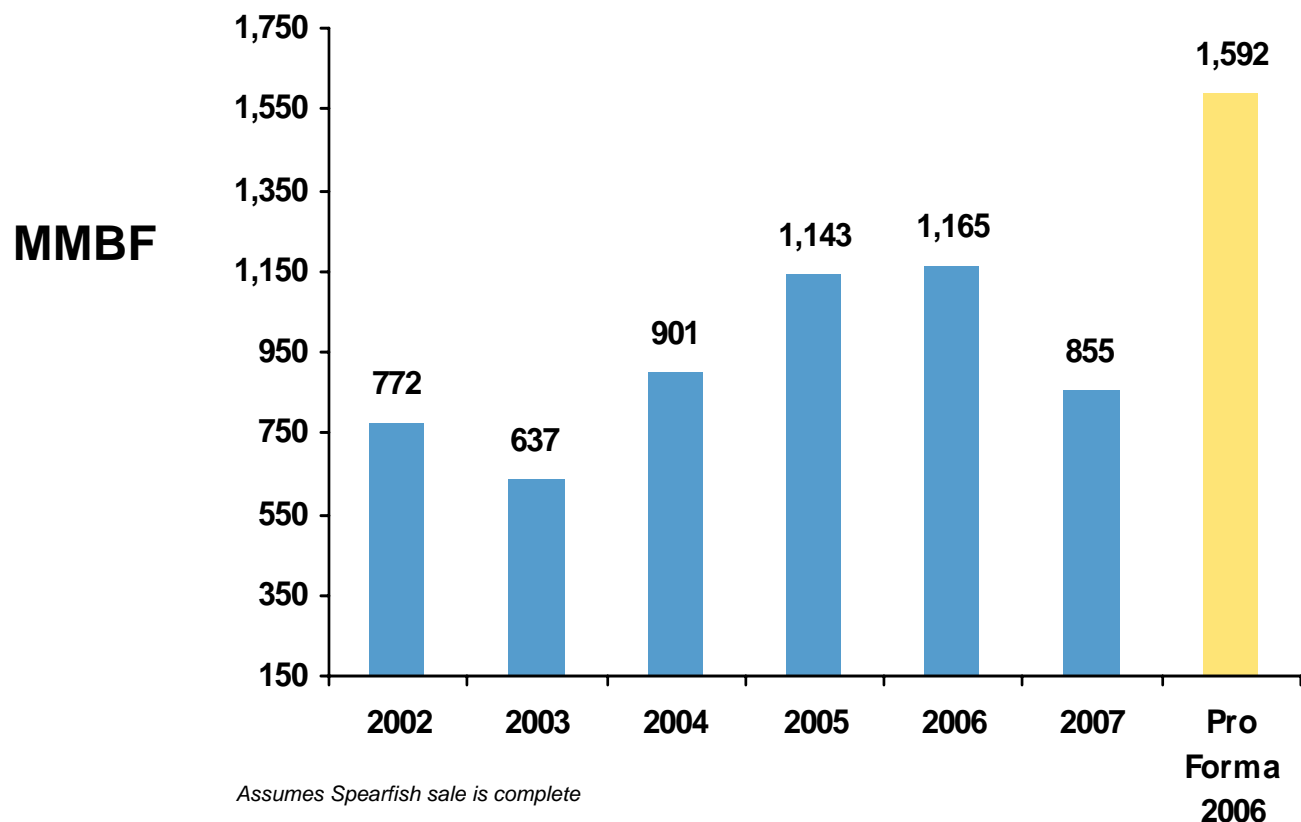
### 3. Post Acquisition: 1,805 MMbf Lumber Capacity



### 3. Post Acquisition Production and Position in Industry

- *Pro forma lumber production increase of 37%*

**Interfor Lumber Production 2002 – 2007**

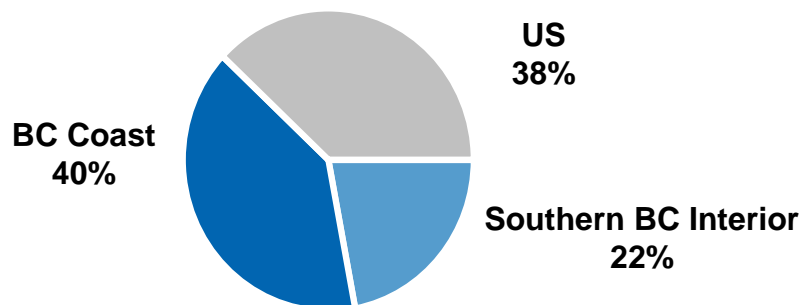


- *Pro forma '06 would rank Interfor 10<sup>th</sup> in North America*

### 3. Post Acquisition – Diversified Operating Base

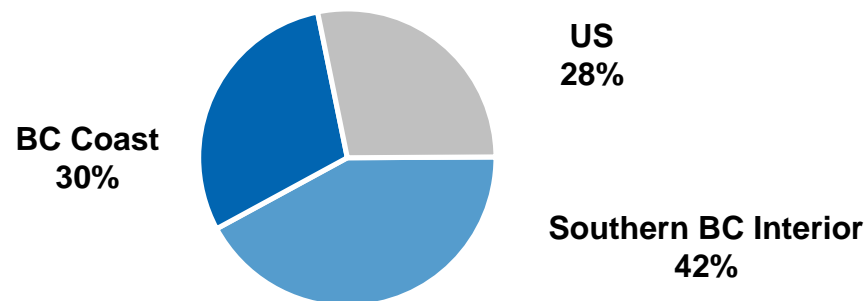
- Interfor's geographic diversification will be enhanced post acquisition*

2007



Production Capacity 1,345 MMBF

Pro Forma 2007



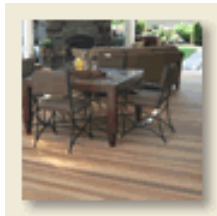
Production Capacity 1,805 MMBF

# 4. Enhance Product and Customer Positioning

- *Interfor's strengths' include a diversified product mix of both commodity and specialty products*



Cedar siding



Cedar decking



Japan structural



Millwork



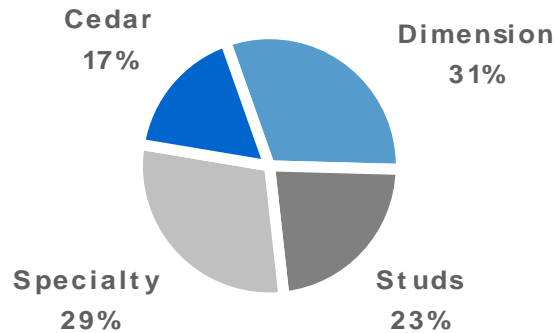
Structural dimension



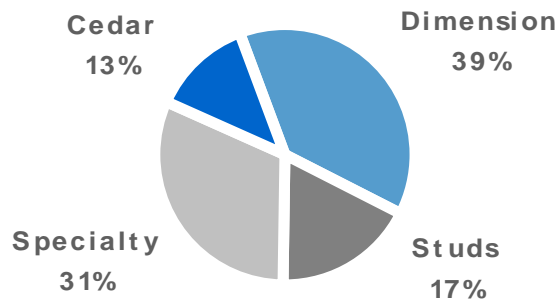
Studs



## Current mix



## Pro Forma



- *Higher % of specialty items → greater stability of prices/profitability*

## 4. Enhance Product and Customer Positioning

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- *Repositioning products to target customers and regions*
- *Developing specialty products where advantageous*

**Gilchrist Sawmill, Oregon**

**Lodgepole Pine Boards**

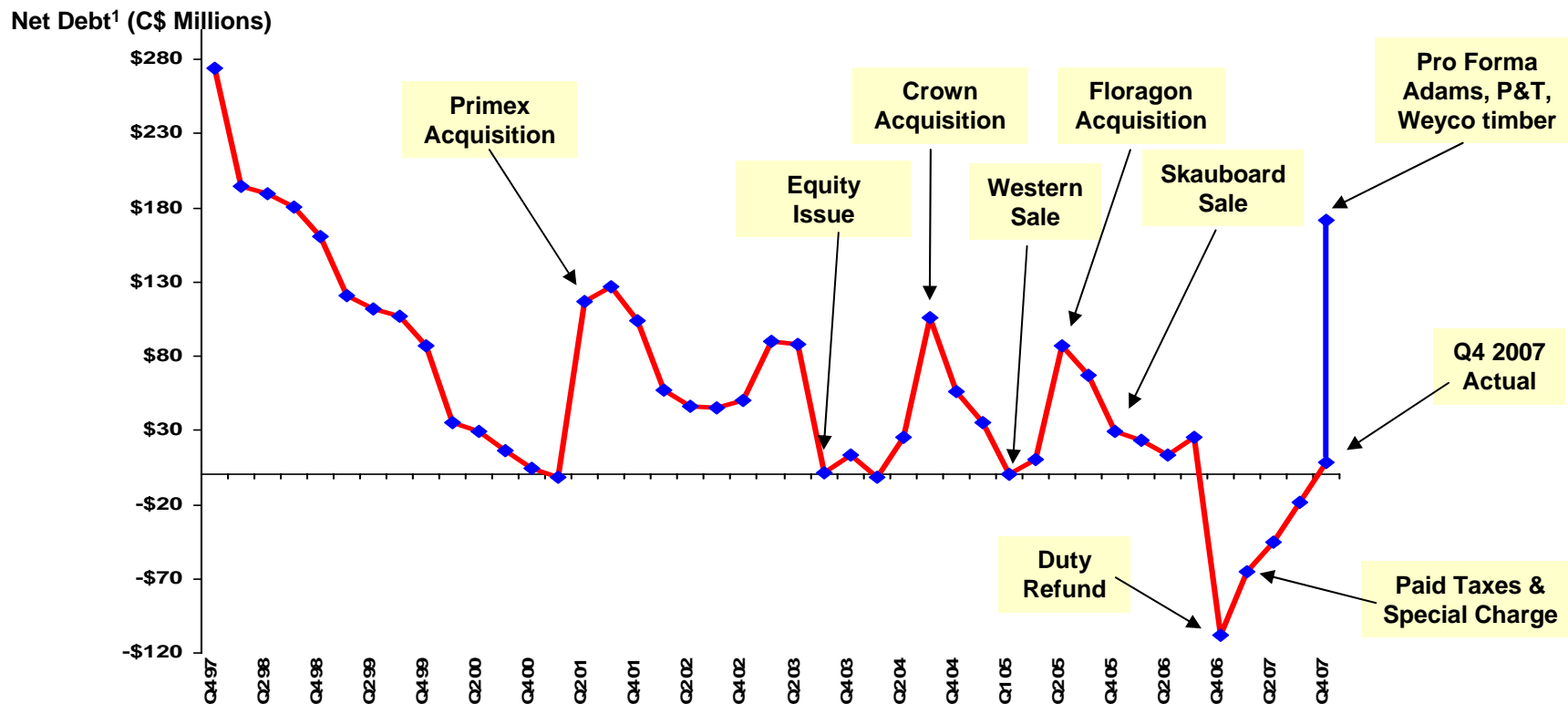


**Ponderosa Pine 5/4x6 RED**



## 5. Maintain a Strong Financial Position

- Interfor had net debt of \$8.1 million at the end of Q4



1. Short and long-term debt net of cash

- Pro forma debt would be \$168 million post Adams Lake and the Weyco timber and P&T acquisitions, based on Dec. 31, '07 actual net debt
- Interfor has credit lines of \$250 million in place

## Section 3

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### *Key Takeaways*

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# Key Takeaways

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- *Expect tough conditions for the next 2 years*
- *The downturn will provide opportunities for those who can take advantage .... Interfor is well positioned*
- *Interfor has a strong record of performance*
- *Interfor is investing for the long term*

*Interfor's underlying value is not reflected in today's share price*

# Building Value

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*The journey of “Building Value” continues*

# APPENDIX 1

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## *Financial Statements*

# Income Statement – Last 12 Months

## Restructuring and Other Income after-tax

<i>(\$millions except per share amounts)</i>	<b>Q4 07</b>	<b>Q3 07</b>	<b>Q2 07</b>	<b>Q1 07</b>	<b>LTM</b>
<b>Net Earnings</b>	<b>(8.9)</b>	<b>(1.6)</b>	<b>(3.4)</b>	<b>0.6</b>	<b>(13.3)</b>
<b>Earnings per share</b>	<b>\$(0.19)</b>	<b>\$(0.03)</b>	<b>\$(0.07)</b>	<b>\$0.01</b>	<b>\$(0.28)</b>
<b>Add: Other FX (gains) losses</b>	<b>0.1</b>	<b>0.4</b>	<b>3.5</b>	<b>0.9</b>	<b>4.9</b>
<b>Add: Restructuring</b>	<b>0.2</b>	<b>0.0</b>	<b>0.9</b>	<b>0.2</b>	<b>1.3</b>
<b>Less: Other Income</b>	<b>(0.1)</b>	<b>(1.0)</b>	<b>(1.3)</b>	<b>(1.5)</b>	<b>(4.0)</b>
<b>Net Earnings (loss) – before one time items</b>	<b>(8.7)</b>	<b>(2.2)</b>	<b>(0.3)</b>	<b>0.1</b>	<b>(11.1)</b>
<b>EPS – before one time items and other FX (gains) losses</b>	<b>\$(0.21)</b>	<b>\$(0.05)</b>	<b>\$(0.01)</b>	<b>\$0.00</b>	<b>\$(0.26)</b>
<b>Adjusted EBITDA *</b>	<b>(4.7)</b>	<b>7.2</b>	<b>12.6</b>	<b>10.8</b>	<b>25.8</b>

\* Adjusted EBITDA represents EBITDA adjusted for U.S. duty refunds and other income

# Balance Sheet

	<b>Dec 07</b>	<b>Dec 06</b>
<i>(\$millions except ratios)</i>		
<b>Total Debt</b>	<b>\$34.7</b>	<b>\$41.4</b>
<b>Less Cash &amp; Deposits</b>	<b>\$(26.6)</b>	<b>\$(149.2)</b>
<b>Net Debt</b>	<b>\$8.1</b>	<b>\$(107.8)</b>
<b>Equity</b>	<b>\$428.2</b>	<b>\$478.0</b>
<b>Net Debt / IC</b>	<b>1.9%</b>	<b>(29.1)%</b>
<b>Book Value / Share</b>	<b>\$9.09</b>	<b>\$9.93</b>