Interfor Corporation
Third Quarter Report
For the three and nine months ended September 30, 2014

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a review of financial condition and results of operations as at and for the three and nine month periods ended September 30, 2014 ("Q3'14" and "YTD'14", respectively). It should be read in conjunction with the unaudited consolidated financial statements of Interfor Corporation ("Interfor" or the "Company") for the three and nine month periods ended September 30, 2014, and the notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A contains certain non-GAAP measures which, within the Non-GAAP Measures section, are discussed, defined and reconciled to figures reported in the Company's consolidated financial statements. This MD&A has been prepared as of November 5, 2014.

All figures are stated in Canadian dollars, unless otherwise noted, and references to US$/USD and ¥ are to the United States Dollar and Japanese Yen, respectively. For definitions of technical terms and abbreviations used within this MD&A, refer to the Glossary in the Company's 2013 Annual Report.

Forward-Looking Statements

This MD&A contains forward-looking statements that address or discuss activities, events or developments that the Company expects or anticipates may occur in the future. Forward-looking statements are included under the headings "Overview of Third Quarter 2014", "Outlook", "Summary of Third Quarter 2014 Financial Performance", "Summary of Year-to-Date 2014 Financial Performance", "Liquidity", "Capital Resources", "Off-Balance Sheet Arrangements", "Financial Instruments and Other Instruments", "Accounting Policy Changes" and "Risks and Uncertainties". These forward-looking statements reflect management's current expectations and beliefs and are based on certain assumptions including those related to general business and economic conditions in Canada, the U.S., Japan and China, and assessment of risks as described under "Risks and Uncertainties". Such forward-looking statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by such statements will occur or, if they do occur, what benefit the Company will derive from them, if any. A number of factors could cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements, including those matters described under the heading "Risks and Uncertainties" and in Interfor's current Annual Information Form available on www.sedar.com. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances, except as required by law.

Overview of Third Quarter 2014

Financial Results

Interfor reported net earnings of $11.0 million, or $0.16 per share, and Adjusted EBITDA of $45.4 million for the third quarter of 2014. These figures compare with net earnings and Adjusted EBITDA of $7.4 million and $47.3 million respectively in the second quarter of 2014 and a loss of $130,000 and Adjusted EBITDA of $24.6 million in the third quarter of 2013. Sales revenue amounted to $373 million in the third quarter compared with $390 million in the second quarter and $273 million in the third quarter last year.

Lumber production in the third quarter was 567 million board feet, down 15 million board feet or 3% compared with the second quarter. Adjusting for the production of the Beaver-Forks operation which was closed permanently at the end of the second quarter, production was up 7 million board feet compared with the second quarter and up 143 million board feet relative to the third quarter of 2013.

Higher log costs in the BC Interior and Coastal regions affected margins in those areas in the third quarter while lower log prices positively impacted results in the US Pacific Northwest.

In the third quarter, Interfor generated $40.1 million of cash from operations before working capital changes and $69.0 million after working capital changes were considered. Capital spending amounted to $22.4 million during the quarter.

The Company reduced its net debt during the quarter to $203.6 million or 24.4% of invested capital, leaving $163.7 million of availability under its credit facilities.

Net earnings in the third quarter include $0.7 million of expenses associated with the wind-down of the Beaver-Forks operation.

Markets and Pricing

Average commodity lumber prices varied by species and dimension in the third quarter. The Western SPF 2x4 benchmark price increased US$22 to US$357, rebounding from a year-to-date low in June, while the SYP Eastside 2x4 benchmark price improved US$33 to US$438. Prices for wide dimension SYP fell US$15 to US$60 depending on width as demand for those products adjusted to seasonal factors. The HF Stud 2x4 9′ benchmark price dropped US$24 to US$385 as supply outpaced demand while 8′ was up US$13. Demand for lumber in China was steady in spite of tighter credit conditions while price levels softened by approximately 5%. Prices in Japan were off 5-7% as the market adjusted to the recent VAT increase as well as increases in domestic supply and a drop in the value of the Yen.

Lumber price levels remained above the relevant softwood lumber benchmark price in Q3’14 and enabled Canadian producers to ship lumber to U.S. markets without an export tax throughout the quarter. This export tax rate has been set at zero percent for October and November of 2014. The Company incurred $1.1 million of export taxes in the comparable period of 2013.

The U.S. dollar strengthened against the Canadian dollar during Q3’14, closing up 5.0% over June 30, 2014. The average rate of 1.0890 in Q3’14 was 4.9% higher than in the comparable quarter of 2013, which positively impacted Interfor’s net earnings reported in Canadian dollars.

Castlegar Sawmill Upgrade

Interfor’s Board of Directors has approved a $50 million capital project to upgrade the Company’s sawmill in Castlegar, BC. The project will convert the Castlegar mill to a 2 line operation with state-of-the-art technology and optimization. The project will also eliminate the need for approximately $20 million in maintenance-related capital spending over the next four years. Rated capacity of the mill calculated on a full two shift basis will be in the range of 210 million board feet per year compared with the current level of 185 million board feet. Proforma cash payback on the project is less than three years.

Interfor has a long history with capital projects of a similar nature including rebuilds of the Company’s sawmills at Port Angeles (2006), Adams Lake (2009), and most recently, Grand Forks (2012). Each of these projects was delivered on-time and on-budget and generated returns in excess of proforma.

The project is scheduled for completion in the fourth quarter of 2015 and will require approximately 30 days of operational downtime during the construction period. Full operating performance is targeted for the first quarter of 2016.

Outlook

North American commodity lumber prices during the fourth quarter should continue to reflect the slow but steady increase in U.S. housing demand. Demand and prices in China are expected to remain stable in the fourth quarter. Japan is expected to remain soft as the housing market adjusts to the VAT increase and changes in currency values.

Interfor will continue its disciplined approach to production, cost control, inventory management and capital spending to help position the Company to deliver above average returns on invested capital as conditions improve. At the same time, Interfor will remain alert to opportunities to position the Company for long-term success.

Financial and Operating Highlights (1)

		For the 3 months ended September 30,		For the 9 months ended September 30,	
	Unit	2014	2013	2014	2013
Financial Highlights(2)					
Total sales	$mm	373.1	272.7	1,058.2	789.9
Lumber	$mm	303.0	212.2	858.6	623.1
Logs	$mm	34.4	36.6	107.4	95.3
Wood chips and other residual products	$mm	28.3	18.4	76.4	52.5
Ocean freight and other	$mm	7.4	5.5	15.8	19.0
Operating earnings	$mm	20.1	2.3	37.2	38.8
Net earnings (loss)	$mm	11.0	(0.1)	45.9	30.8
Net earnings (loss) per share, basic and diluted	$/share	0.16	(0.00)	0.70	0.55
EBITDA(3)	$mm	40.9	18.4	121.1	84.3
Adjusted EBITDA(3)	$mm	45.4	24.6	131.9	97.8
Adjusted EBITDA margin(3)	%	12.2%	9.0%	12.5%	12.4%
Total assets	$mm	1,058.3	812.3	1,058.3	812.3
Total long-term debt	$mm	229.8	163.0	229.8	163.0
Pre-tax return on total assets(3)	%	7.8%	1.1%	8.6%	7.2%
Net debt to invested capital(3)	%	24.4%	23.1%	24.4%	23.1%
Operating Highlights					
Lumber production	million fbm	567	447	1,644	1,255
Lumber sales	million fbm	595	446	1,662	1,261
Lumber - average selling price(4)	$/thousand fbm	509	476	517	494
Log sales(5)	thousand cubic metres	380	353	1,083	943
Logs - average selling price(5)	$/cubic metre	75	93	85	87

Notes:
(1) Figures in this table may not add due to rounding.
(2) Financial information presented for interim periods in this MD&A is prepared in accordance with IFRS but is unaudited.
(3) Refer to the Non-GAAP Measures section of this MD&A for definitions and reconciliations of these measures to figures reported in the Company's consolidated financial statements.
(4) Gross sales before export taxes.
(5) For B.C. operations only.

Summary of Third Quarter 2014 Financial Performance

Sales

Interfor realized $373.1 million of total sales, up 36.8% from $272.7 million in the third quarter of 2013, driven by the sale of 595 million board feet of lumber at an average price of $509 per mfbm. Lumber sales volume and average selling price increased 149 million board feet and 6.9%, respectively, over the same quarter of 2013.

The growth in lumber sales volume was primarily in the U.S. market, where sales increased by 157 million board feet or 59.1% over the third quarter of 2013. This growth is mostly attributable to the acquisition of two sawmills in the first quarter of 2014, higher operating rates and the draw-down of lumber inventories.

The increase in the average selling price of lumber is primarily related to increased demand and strengthening of the U.S. dollar against the Canadian dollar by 4.9%, partially offset by an increased proportion of Southern Yellow Pine sales.

Log sales of $34.4 million represents a decrease of $2.2 million or 6.0% compared to the same quarter of 2013. An increased sales volume was more than offset by a 19.2% decrease in the average selling price on B.C. log sales, which accounted for 82.8% of total log sales revenue in the quarter.

Sales of wood chips and other residual products increased to $28.3 million, up $9.9 million over the comparable quarter of 2013. This increase mainly reflects the 26.8% increase in lumber production from Q3'13.

Operations

Production costs increased by $80.2 million or 33.5% over the third quarter of 2013, explained primarily by the 33.4% increase in lumber sales volume.

Depreciation of plant and equipment was $14.2 million, up 38.5% from the third quarter of 2013. The majority of this increase is explained by the inclusion of depreciation on the two sawmills acquired in the first quarter of 2014 and higher operating rates.

Depletion and amortization of timber, roads and other was $6.9 million, up 16.2% from the comparable quarter of 2013. This increase is mostly related to amortization of a non-competition agreement associated with the acquisition of Tolleson Ilim Lumber Company ("Tolleson").

Corporate and Other

Selling and administration expenses were $8.7 million, up $1.1 million from the third quarter of 2013. This increase reflects the growth of Interfor's operations in the U.S. Southeast.

The $3.6 million on long term incentive compensation reflects the impact of a higher market price for Interfor Common Shares during the quarter on the Company's share-based incentive compensation plans.

Income Taxes

The Company recorded income tax expense of $5.5 million, including $0.3 million related to current taxes, primarily in respect of its U.S. operations.

Net Earnings

The Company recorded net earnings of $11.0 million or $0.16 per share, higher compared to a net loss of $0.1 million or $0.00 per share in the third quarter of 2013. This improvement reflects sales growth and a higher profit margin on production.

Summary of Year-to-Date 2014 Financial Performance

Sales

Interfor realized $1,058.2 million of total sales, up 34.0% from $789.9 million in the first nine months of 2013, driven by the sale of 1.7 billion board feet of lumber at an average price of $517 per mfbm. Lumber sales volume and average selling price increased 400 million board feet and 4.7%, respectively, over the same period of 2013.

The growth in lumber sales volume was primarily in the U.S. market, where sales increased by 376 million board feet or 49.4% over the first nine months of 2013. This growth is mostly attributable to the six sawmills in Georgia acquired since March of 2013 as well as increased demand.

The increase in the average selling price of lumber is primarily related to increased demand and the strengthening of the U.S. dollar against the Canadian dollar by 6.9%, partially offset by an increased proportion of Southern Yellow Pine sales.

Log sales of $107.4 million represents an increase of $12.1 million or 12.7% compared to the same period of 2013. This sales growth benefited from a 14.8% increase in B.C. log sales volume.

Sales of wood chips and other residual products increased to $76.4 million, up $23.9 million over the comparable period of 2013. This increase mainly reflects the 31.0% increase in lumber production over the same period in the prior year.

Operations

Production costs increased by $231.3 million or 34.6% over the first nine months of 2013, explained primarily by the 31.7% and 14.8% increases in lumber and B.C. log sales volumes, respectively. The stronger U.S. dollar as noted above also contributed to this increase.

Depreciation of plant and equipment was $40.5 million, up 43.6% from the year-to-date period of 2013. The majority of this increase is explained by the inclusion of depreciation on the six mills in the U.S. Southeast acquired since March 2013, and higher operating rates.

Depletion and amortization of timber, roads and other was $20.2 million, up 20.3% from the similar period of 2013. Amortization of the non-competition agreement associated with the Tolleson acquisition contributed to this increase.

Corporate and Other

Selling and administration expenses were $26.6 million, up $4.7 million from the first nine months of 2013. This increase reflects the growth of our operations into the U.S. Southeast and includes $1.4 million of non-recurring expenses related to the Tolleson acquisition.

Long term incentive compensation expense was $10.1 million, down $3.6 million from the comparable 2013 period, reflecting changes in the fair value of the Company's share-based incentive compensation plans.

Income Taxes

The Company recorded an income tax recovery of $16.4 million, comprised of $1.2 million of current tax expense net of a $17.6 million deferred tax recovery. The deferred tax recovery includes two notable items: i) recognition of $19.3 million of previously unrecognized deferred tax assets related to its U.S. operations and associated with accounting for the acquisition of Tolleson; and ii) an $8.5 million recovery related to the Beaver-Forks restructuring and impairment charges.

Net Earnings

The Company recorded net earnings of $45.9 million or $0.70 per share, higher compared to net earnings of $30.8 million or $0.55 per share in the year-to-date period of 2013. Excluding the $14.2 million impact of the restructuring and impairment charges associated with curtailment of the Beaver-Forks operation in Q2'14 and recognition of $19.3 million of previously unrecognized deferred tax assets related to U.S. operations in Q1'14, net earnings in YTD'14 would have been $40.8 million.

Summary of Quarterly Results [1]

		2014			2013				2012
	Unit	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Financial Performance (Unaudited)									
Total sales	$mm	373.1	390.2	294.8	315.3	272.7	274.7	242.5	222.4
Lumber	$mm	303.0	325.2	230.4	249.2	212.2	219.5	191.4	173.3
Logs	$mm	34.4	35.4	37.6	41.3	36.6	32.6	26.1	24.5
Wood chips and other residual products	$mm	28.3	25.8	22.4	20.0	18.4	17.4	16.6	15.9
Ocean freight and other	$mm	7.4	3.8	4.4	4.9	5.4	5.2	8.4	8.7
Operating earnings (loss)	$mm	20.1	3.8	13.3	13.7	2.3	19.3	17.2	(2.4)
Net earnings (loss)	$mm	11.0	7.4	27.5	11.4	(0.1)	15.8	15.2	(3.8)
Net earnings (loss) per share, basic and diluted	$/share	0.16	0.11	0.43	0.18	(0.00)	0.28	0.27	(0.07)
EBITDA[2]	$mm	40.9	47.8	32.3	31.4	18.4	35.3	30.6	13.0
Adjusted EBITDA[2]	$mm	45.4	47.3	39.2	36.2	24.6	36.1	37.1	19.3
Shares outstanding - end of period	million	66.7	66.7	66.7	63.1	63.1	55.9	55.9	55.9
Shares outstanding - weighted average	million	66.7	66.7	63.8	63.1	55.9	55.9	55.9	55.9
Operating Performance									
Lumber production	million fbm	567	582	495	470	447	418	390	347
Lumber sales	million fbm	595	628	439	500	446	433	383	384
Lumber - average selling price[3]	$/thousand fbm	509	518	525	498	476	507	500	452
Log sales[4]	thousand cubic metres	380	305	398	397	353	301	289	267
Logs - average selling price[4]	$/cubic metre	75	103	82	92	93	90	76	76
Average USD/CAD exchange rate[5]	1 USD in CAD	1.0890	1.0905	1.1033	1.0491	1.0385	1.0233	1.0080	0.9914
Closing USD/CAD exchange rate[5]	1 USD in CAD	1.1208	1.0676	1.1053	1.0636	1.0303	1.0518	1.0160	0.9949

Notes:
(1) Figures in this table may not add due to rounding.
(2) Refer to the Non-GAAP Measures section of this MD&A.
(3) Gross sales before export taxes.
(4) For B.C. operations.
(5) Based on Bank of Canada foreign exchange rates.

The Company's quarterly financial trends are most impacted by seasonality, levels of lumber production, log costs, market prices for lumber and the USD/CAD foreign currency exchange rate.

Logging operations are seasonal due to a number of factors including weather, ground conditions and fire season closures. Generally, the Company's B.C. Coast logging division experiences higher production levels in the latter half of the first quarter, throughout the second and third quarters and in the first half of the fourth quarter. Logging activity in the B.C. Interior is generally higher in the first half of the first quarter, slows during spring break-up and increases in the third and fourth quarters. Sawmill operations are dependent on the availability of logs from our logging operations and our suppliers. In addition, the market demand for lumber and related products is generally lower in the winter due to reduced construction activity, which increases during the spring, summer and fall.

U.S. housing starts surged, supporting higher lumber prices and positive net earnings in the first quarter of 2013. Mid-way through the second quarter of 2013, supply outstripped demand, and lumber prices dropped, ending the quarter at levels close to those of early 2012. Late in the third quarter of 2013, lumber prices started to rise in response to demand from China and improving U.S. housing starts. Three sawmills acquired on March 1, 2013, and one sawmill acquired on July 1, 2013, contributed to growth in production, sales and earnings from 2012. Production, sales and earnings have also benefited since the acquisition of two sawmills on March 14, 2014. The permanent closure of the Beaver sawmill impacted production and sales in Q3'14.

The volatility of the Canadian dollar against the U.S. dollar also impacted results, given that historically over 75% of the Canadian operation's lumber sales are to the U.S. and export markets priced in U.S. dollars. A weaker Canadian dollar increases the lumber sales realizations in Canada, and increases net earnings of U.S. operations when translated to Canadian dollars.

Liquidity

Balance Sheet

Interfor strengthened its financial position throughout the third quarter of 2014. Net debt at quarter-end of $203.6 million, or 24.4% of invested capital, was $62.8 million higher than at December 31, 2013, due primarily to borrowings for the Tolleson acquisition.

As at September 30, 2014, the Company had net working capital of $127.7 million and available capacity on operating and term facilities of $163.7 million. These resources, in addition to cash generated from operations, will be used to support working capital requirements, debt servicing commitments and capital expenditures. We believe that Interfor will have sufficient liquidity to fund operating and capital requirements for the foreseeable future.

Cash Flow from Operating Activities

In the first nine months of 2014, the Company generated $118.0 million of cash flow from operations before changes in working capital, up $29.5 million from the comparable period of 2013. Incremental cash flow generated from increased sales was partially offset by a small reduction in profit margin on production and a $4.7 million increase in selling and administration costs. The increase in selling and administration costs includes $1.4 million of a non-recurring nature related to the Tolleson acquisition.

Total cash generated from operations after changes in working capital was $126.7 million, with $8.7 million of cash released from operating working capital. In the comparable period of 2013, $24.4 million of cash was used in operating working capital, leading to $64.1 million of total cash generated from operations.

Cash Flow from Investing Activities

Investing activities totaled $176.4 million in the year-to-date period of 2014, including $124.4 million related to the Tolleson acquisition, $31.5 million for mill improvements and $19.8 million for development of logging roads. Discretionary mill improvements of $15.0 million during the period included work on a new kiln and crane at the Thomaston sawmill and a Weinig moulder at the Gilchrist sawmill.

Investing activities totaled $169.9 million in the comparable period of 2013, including $86.6 million related to the acquisition of Rayonier's Wood Products Business, $33.8 million for the acquisition of the Thomaston sawmill and $49.8 million on capital expenditures.

Cash Flow from Financing Activities

Net drawings on the Company's long-term debt facilities were $76.4 million over the first nine months of 2014, leading to total cash from financing activities of $70.5 million. This includes US$112.5 million drawn from the Company's Revolving Term Line and Operating Line to fund the Tolleson acquisition.

In the same period of 2013, net drawings on the Company's long-term debt facilities were $26.9 million with total cash from financing activities of $102.9 million. This includes $82.4 million of net cash proceeds raised from the issuance of 7,187,500 Common Shares.

Capital Resources

The following table summarizes Interfor's credit facilities and availability as of September 30, 2014:

Thousands of Canadian dollars	Operating Line	Revolving Term Line	Senior Secured Notes	U.S. Operating Line	Total
Available line of credit and maximum borrowing available	65,000	250,000	56,040	33,624	404,664
Less:					
Drawings	-	173,724	56,040	-	229,764
Outstanding letters of credit included in line utilization	10,606	-	-	633	11,239
Unused portion of facility	54,394	76,276	-	32,991	163,661

Interfor continues to maintain its disciplined focus on monitoring discretionary capital expenditures, optimizing inventory levels and matching production with offshore and domestic demand. Based on current pricing, cash flow projections and existing credit lines, the Company believes it has sufficient liquidity to meet all of its financial obligations.

Transactions Between Related Parties

The Company did not have any transactions between related parties in the nine months ended September 30, 2014.

Off-Balance Sheet Arrangements

The Company has off-balance sheet arrangements which include letters of credit and surety performance bonds, primarily for timber sales. At September 30, 2014, such instruments aggregated $31.4 million (December 31, 2013 - $26.7 million). Off-balance sheet arrangements have not had, and are not reasonably likely to have, any material impact on the Company's current or future financial condition, results of operations or cash flows.

Financial Instruments and Other Instruments

From time to time, the Company employs financial instruments, such as interest rate swaps and foreign currency forward and option contracts, to manage exposure to fluctuations in interest rates and foreign exchange rates. The Company also trades lumber futures to manage price risk. The Company's policy is not to use derivatives for trading or speculative purposes. Risk management strategies and relationships are formally documented and assessed on a regular, ongoing basis to ensure derivatives are effective in offsetting changes in fair values or cash flows of hedged items. The counter-parties for all derivative contracts, except lumber futures, are the Company's Canadian bankers who are highly-rated and, hence, the risk of credit loss on such instruments is mitigated.

Outstanding Shares

As of November 5, 2014, Interfor had 66,730,455 Common Shares issued and outstanding. These shares are listed on the Toronto Stock Exchange under the symbol IFP.

Controls and Procedures

There have been no changes in the Company's internal controls over financial reporting ("ICFR") during the three months ended September 30, 2014, that have materially affected, or are reasonably likely to materially affect, its ICFR. During this period, additional procedures were performed to ensure key financial internal controls remained in place during and after the conversion to a new financial reporting system.

Critical Accounting Estimates

There were no significant changes to the Company's critical accounting estimates during the quarter ended September 30, 2014. Interfor's critical accounting estimates are described in its MD&A for the year ended December 31, 2013, filed under the Company's profile on www.sedar.com.

Accounting Policy Changes

A number of new standards, and amendments to existing standards and interpretations, were not yet effective for the quarter ended September 30, 2014, and have not been applied in preparing the Company's unaudited interim condensed consolidated financial statements. The following pronouncements are considered by the Company to be the most significant of several pronouncements that may affect the financial statements.

IFRS 9, *Financial Instruments*, will replace the multiple classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company does not expect this standard to have a significant effect on its financial statements.

IFRS 15, *Revenue from Contracts with Customers*, will replace all existing IFRS revenue requirements. Application is required for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company has not yet completed an assessment of the impact, if any, of this standard on its financial statements.

Non-GAAP Measures

This MD&A makes reference to the following non-GAAP measures: EBITDA, Adjusted EBITDA, Pre-tax return on total assets and Net debt to invested capital, which are used by the Company and certain investors to evaluate operating performance and financial position. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. The following table provides a reconciliation of these non-GAAP measures to figures as reported in the Company's unaudited interim condensed consolidated financial statements prepared in accordance with IFRS:

Thousands of Canadian dollars	For the 3 months ended September 30, 2014	2013	For the 9 months ended September 30, 2014	2013
Adjusted EBITDA				
Net earnings (loss)	10,994	(130)	45,877	30,808
Add:				
Depreciation of plant and equipment	14,151	10,220	40,460	28,166
Depletion and amortization of timber, roads and other	6,888	5,930	20,213	16,808
Restructuring costs, capital asset and timber write-downs	26	-	23,272	322
Finance costs	2,347	2,762	6,647	6,972
Other foreign exchange loss (gain)	1,015	(524)	1,005	1,039
Income tax expense (recovery)	5,524	180	(16,390)	231
EBITDA	40,945	18,438	121,084	84,346
Add:				
Long term incentive compensation	3,579	6,139	10,069	13,636
Other expense (income)	213	(19)	40	(227)
Beaver sawmill post-closure wind-down costs	712	-	712	-
Adjusted EBITDA	45,449	24,558	131,905	97,755
Pre-tax return on total assets				
Operating earnings before restructuring and capital asset write-downs	20,119	2,269	60,451	39,145
Total assets(1)	1,036,343	794,316	941,236	722,173
Pre-tax return on total assets(2)	7.8%	1.1%	8.6%	7.2%
Net debt to invested capital				
Net debt				
Long term debt	229,764	162,993	229,764	162,993
Cash and cash equivalents	(26,194)	(12,736)	(26,194)	(12,736)
Total net debt	203,570	150,257	203,570	150,257
Invested capital				
Net debt	203,570	150,257	203,570	150,257
Shareholders' equity	629,874	498,974	629,874	498,974
Total invested capital	833,444	649,231	833,444	649,231
Net debt to invested capital	24.4%	23.1%	24.4%	23.1%

Notes:
(1) Opening total assets for three month periods; average of opening and closing total assets for nine month periods.
(2) Annualized rate.

Risks and Uncertainties

The Company is exposed to many risks and uncertainties in conducting its business including, but not limited to: price volatility; availability of log supply; competition; government regulation; foreign currency exchange fluctuations; environmental matters; and labour disruption. These risks and uncertainties are described in the Company's MD&A for the year ended December 31, 2013, filed under the Company's profile on www.sedar.com. Except as noted below, there have been no significant changes to the Company's risks and uncertainties during the nine month period ended September 30, 2014.

On June 26, 2014 the Supreme Court of Canada ("SCC") released its ruling on the Tsilhqot'in vs. British Columbia. To the extent that this defines for the first time the criteria upon which Aboriginal title rests is a positive development. It is also an important motivation for the federal and provincial governments to move forward on the treaty process in British Columbia.

The SCC ruling applies to two percent of the Tsilhqot'in traditional territory in a remote area of Central B.C. – far removed from Interfor's operations. To date, Aboriginal title has not been established in any of Interfor's tenures; and doing so will likely be a lengthy and complex process. The Company will continue to manage its operations within the existing legal framework while paying close attention to the direction provided by the Province and First Nations regarding the application of this ruling. Therefore, risks and uncertainties remain consistent with those referenced above.

The Company's operations in B.C. account for approximately 40% of its total lumber production. Interfor has a number of agreements and initiatives with First Nations in B.C., and as such, remains committed to working with First Nations to develop economic opportunities of mutual benefit.

Additional Information

Additional information relating to the Company and its operations can be found on its website at www.interfor.com, in the Annual Information Form and on SEDAR at www.sedar.com.