International Forest Products Limited
First Quarter Report
For the three months ended March 31, 2003

Report to Shareholders and Management Discussion and Analysis:

OPERATING RESULTS

International Forest Products Limited ("Interfor") recorded a net loss of $2.8 million or $0.08 per share in the 1st Quarter of 2003 compared to net earnings of $3.1 million or $0.09 per share in the same period last year.

Weak market conditions in Japan and severe weather conditions in the U.S. Northeast adversely impacted shipments and product pricing in Interfor's two most important markets in the 1st Quarter. Duties on shipments to the U.S., which totalled $8.7 million on shipments of 46 million board feet, had a major impact on the Company's earnings. Cedar prices dropped significantly in the 1st Quarter, offsetting the increases achieved when duties were first imposed on Canadian softwood. This, combined with the effect of the higher Canadian dollar and higher domestic log prices, had a material impact on the economics of the Company's cedar business. The Japanese market, traditionally slow in the 1st Quarter of the year, absorbed less volume than originally expected, resulting in an increase in finished product inventories and lower product prices in the quarter.

Other factors impacting the Company's 1st Quarter results included higher coastal stumpage charges and the costs associated with the start-up of the Company's new value-added plant in Sumas, Washington.

Overall, Interfor's total lumber shipments dropped from 208 million board feet in the 4th Quarter of 2002 to 184 million board feet in the 1st Quarter this year, and sales values, net of duty, dropped by approximately $40 per thousand board feet over the same period.

Sales revenue was $176.3 million compared to $177.4 million in the 1st Quarter of 2002. EBITDA was $4.4 million compared to $13.6 million in the same period last year. One-time gains associated with the settlement of a legal dispute with the provincial government and the sale of surplus properties and equipment generated pre-tax income of $2.5 million in the quarter, offsetting in part the loss from operations.

CASH FLOW AND BALANCE SHEET

During the quarter, Interfor generated $1.1 million in cash from operations before changes in working capital. Including changes in working capital, cash utilized in operations was $27.8 million, reflecting a combination of reduced accounts payable and higher accounts receivable.

Capital spending in the quarter totalled $12.7 million, including $4.6 million in roads, $1.8 million in maintenance capital, $5.4 million on high return discretionary projects and $0.9 million in land development costs.

As a result, Interfor's net debt increased to $89.7 million, or 24% of invested capital, at quarter end.

SUMAS PROJECT UPDATE

During the quarter, the project to relocate the company's value-added plant to Sumas, Washington was completed. The new facility, which operates under the name CEDARPRIME INC., includes an optimized chop-line and fingerjointing system along with a new moulder and siding line. The new plant is in its start-up phase and is currently running in excess of 80% of design speed. Operating costs are below forecast and product quality is good. Based on initial indications, the plant is expected to meet or exceed the benefits envisaged when the project was approved.

SHARE BUY-BACK PROGRAM

In the 1st Quarter Interfor acquired a total of 132,500 shares at a cost of $923,000 under the terms of its Normal Course Issuer Bid which was approved by the TSE on November 12, 2002. Including shares purchased in the 4th Quarter of 2002, Interfor has purchased a total of 482,500 shares at a cost of $2.9 million. Under the terms of the share buy-back program, the shares purchased by the Company have been cancelled.

POLICY REFORMS ANNOUNCED

On March 19th the B.C. Government announced its long-awaited policy reform package.

The reforms include changes in the basic tenure arrangements, the introduction of a market-based stumpage system, revisions to Bill 13 (which governs the relationship between licensees and contract loggers) and, most notably, a clawback of 20% of the tenure held by the province's major licence holders.

In Interfor's case, the tenure clawback involves some 580,000 m3 of annual harvesting rights and an area representing 20% of the Company's Timber Licences. The government has established an initial fund of $275 million to provide transition funding for labour and contractors, and to provide compensation to licensees.

At this point, most of the details of the new stumpage system and tenure clawback remain unclear. While Interfor supports the general direction of the reforms, the Company has some concerns regarding implementation, transition and compensation which Interfor hopes to see resolved in the next few months.

OUTLOOK

The outlook for the 2nd Quarter and for the balance of 2003 is dominated by the U.S. softwood dispute, market conditions in Japan and prospects for the Canadian dollar.

In spite of strong demand, the U.S. market for structural lumber is oversupplied and prices are expected to remain low. In spite of the best efforts by Canadian producers and their governments to find a negotiated solution to the softwood dispute the two sides remain far apart in their positions. The Company is hopeful the Policy Bulletins which the U.S. Department of Commerce is expected to publish in the coming weeks, along with the Policy Reforms announced by the B.C. Government, will provide the basis for a successful changed circumstance review and, ultimately, to the elimination of duties on shipments to the U.S.

In the meantime, Interfor and other B.C. and Canadian producers will continue to pay cash duties on shipments to the U.S.

While Interfor's business in the U.S. will continue to be negatively impacted by the duties, cedar shipments and prices are expected to increase as the weather improves and building activity resumes in the northeast.

Conditions are also expected to improve in Japan as inventories return to more reasonable levels. That said, concerns remain about the fragile nature of the Japanese economy and the impact of the restructuring taking place within the building products sector in Japan.

Interfor has taken action to bring operating rates into line with market demand. The Company will continue to monitor sales activity and shipment levels in order to maximize cash earnings during the 2nd Quarter and through the balance of the year.

FORWARD LOOKING STATEMENTS

This report contains statements that are forward-looking in nature. Such statements involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by those forward-looking statements. Such risks and uncertainties include, among others: 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 the Company's annual statutory information.

William L. Sauder
Chairman

Duncan K. Davies
President and Chief Executive Officer

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended March 31, 2003 and 2002 (unaudited)

(thousands of dollars except earnings per share)	3 Months Mar. 31, 2003	3 Months Mar. 31, 2002
		(restated – note 1(a))
Sales	**$ 176,258**	**$ 177,390**
Costs and expenses:		
Production (note 1(b))	**171,597**	**160,295**
Selling and administration	**4,924**	**4,433**
Amortization of plant and equipment	**5,475**	**5,166**
Depletion and amortization of timber, roads and other	**3,984**	**2,463**
	185,980	**172,357**
Operating earnings (loss)	**(9,722)**	**5,033**
Interest expense on long-term debt	**(615)**	**(949)**
Other interest expense	**(404)**	**(125)**
Other income	**2,497**	**26**
B.C. Corporation capital tax	**-**	**(124)**
Equity in earnings of investee companies	**2,174**	**994**
	3,652	**(178)**
Earnings (loss) before income taxes	**(6,070)**	**4,855**
Income taxes (recovery):		
Current	**300**	**196**
Future	**(3,580)**	**1,534**
	(3,280)	**1,730**
Net earnings (loss)	**$ (2,790)**	**$ 3,125**
Net earnings(loss) per share, basic and diluted	**$ (0.08)**	**$ 0.09**
EBITDA (note 6)	**$ 4,408**	**$ 13,558**

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the three months ended March 31, 2003 and 2002 (unaudited)

(thousands of dollars)	3 Months Mar. 31, 2003	3 Months Mar. 31, 2002
		(restated – note 1(a))
Retained earnings, beginning of year as restated	**$ 63,101**	**$ 23,119**
Net earnings (loss)	**(2,790)**	**3,125**
Retained earnings, end of period	**$ 60,311**	**$ 26,244**

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2003 and 2002 (unaudited)

(thousands of dollars)	3 Months Mar. 31, 2003	3 Months Mar. 31, 2002
Cash provided by (used in):		(restated – note 1(a))
Operating activities:		
Net earnings (loss)	**$ (2,790)**	**$ 3,125**
Items not involving cash:		
Amortization of plant and equipment	**5,475**	**5,166**
Depletion and amortization of timber, roads and other	**3,984**	**2,463**
Future income taxes	**(3,580)**	**1,534**
Reforestation liability	**828**	**793**
Other long-term liabilities	**440**	**(45)**
Equity in earnings of investee companies	**(2,174)**	**(994)**
Other	**(1,076)**	**(31)**
	1,107	**12,011**
Cash generated from (used in) operating working capital:		
Accounts receivable	**(5,743)**	**(7,434)**
Inventories	**431**	**34,768**
Prepaid expenses	**1,261**	**(1,951)**
Accounts payable and accrued liabilities	**(25,080)**	**11,415**
Income taxes	**216**	**4,146**
	(27,808)	**52,955**
Investing activities:		
Additions to property, plant and equipment	**(8,062)**	**(2,572)**
Additions to logging roads and timber	**(4,588)**	**(2,465)**
Proceeds on disposal of property, plant and equipment	**640**	**29**
Investments and other assets	**495**	**201**
	(11,515)	**(4,807)**
Financing activities:		
Repurchase of capital stock	**(923)**	**-**
Issuance of capital stock	**342**	**-**
Increase (decrease) in bank indebtedness	**39,662**	**(1,588)**
	39,081	**(1,588)**
Increase (decrease) in cash	**(242)**	**46,560**
Cash on deposit, beginning of period	**242**	**-**
Cash on deposit, end of period	**$ -**	**$ 46,560**

See accompanying notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS
March 31, 2003 and 2002 (unaudited)

(thousands of dollars)	Mar. 31, 2003	Dec. 31, 2002	Mar. 31, 2002
			(restated – note 1(a))
Assets			
Current assets:			
Cash on deposit	$ -	$ 242	$ 46,560
Accounts receivable	45,902	40,257	31,822
Income taxes receivable	-	-	317
Inventories	141,832	142,263	86,950
Prepaid expenses	5,037	6,298	7,545
Future income taxes	16,121	12,166	16,675
	208,892	201,226	189,869
Investments and other assets:			
Investments and advances	35,875	33,796	34,016
Deferred financing fee, net of accumulated amortization	-	-	344
	35,875	33,796	34,360
Property, plant and equipment:	429,841	426,073	438,437
Less accumulated amortization	231,143	229,918	239,752
	198,698	196,155	198,685
Timber and logging roads, net of accumulated depletion and amortization	87,053	86,449	96,666
Goodwill, net of accumulated amortization	19,647	19,647	19,595
	305,398	302,251	314,946
	$ 550,165	$ 537,273	$ 539,175
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	$ 39,662	$ -	$ -
Accounts payable and accrued liabilities	101,144	126,226	125,190
Income taxes payable	406	190	-
	141,212	126,416	125,190
Reforestation liability, net of current portion	22,591	21,763	21,260
Long-term debt	50,000	50,000	100,000
Other long-term liabilities	9,846	9,406	12,909
Future income taxes	35,966	35,767	20,872
Shareholders' equity:			
Share capital			
Class A subordinate voting shares	217,958	218,455	220,577
Class B common shares	4,080	4,080	4,080
	222,038	222,535	224,657
Contributed surplus	8,201	8,285	8,043
Retained earnings	60,311	63,101	26,244
	290,550	293,921	258,944
	$ 550,165	$ 537,273	$ 539,175

See accompanying notes to consolidated financial statements

On behalf of the Board:

W. L. Sauder
Director

J. A. Milroy
Director

1. Significant accounting policies:

These unaudited interim consolidated financial statements include the accounts of International Forest Products Limited and its subsidiaries (collectively referred to as “Interfor” or the “Company”). These interim consolidated financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with Interfor’s most recent annual consolidated financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application used in the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2002.

(a) Accounting policy changes:

As described in the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2002, the Company changed its accounting policy for the valuation of log inventories. In accordance with Canadian generally accepted accounting principles, this change in policy has been applied retroactively and prior years’ results have been restated to reflect the new policy.

In the current quarter, the Company changed its accounting policy for expensing fixed woodlands production costs in its interim quarterly financial statements from a units of production basis to an incurred cost basis. This change does not impact the Company’s annual consolidated financial statements. Prior period quarterly results have been restated to reflect the new accounting policy.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. During the period, the Company settled various forestry liabilities relating to prior period activities and realized after tax recoveries on these settlements totalling $2.6 million.

2. Comparative figures:

Certain of the prior year’s figures have been reclassified to conform to the presentation adopted in the current year.

3. Seasonality of operating results:

The Company operates in the solid wood business which includes logging and sawmill operations. Logging operations are seasonal due to a number of factors including weather, ground and fire season conditions. Generally, the Company operates its logging divisions in the latter half of the first quarter, throughout the second and third quarters and in the first half of the fourth quarter. Sawmill operations are less seasonal than logging operations but do depend on the availability of logs from the logging operations. In addition, the market demand for lumber and related products is generally lower in the first quarter due to reduced construction activity which increase during the spring, summer and fall.

4. Net earnings (loss) per share

	3 months Mar. 31, 2003	3 months Mar. 31, 2002
Net income (loss) reported (thousands)	$ (2,790)	$ 3,125
Weighted average common shares outstanding (thousands)	35,533	35,865
Earnings (loss) per share, basic and diluted	$ (0.08)	$ $0.09

5. Segmented information:

The Company manages its business as a single operating segment, solid wood. The Company harvests logs which are sorted by species, size and quality and then manufactured into lumber products at the Company's sawmills, or sold. Substantially all of the Company's operations are located in British Columbia, Canada.

The Company sells to both foreign and domestic markets as follows:

	3 months Mar. 31, 2003	3 months Mar. 31, 2002
	(thousands of dollars)	
Canada	$ 69,630	$ 69,756
United States	35,248	46,098
Japan	50,052	45,677
Other export	21,328	15,859
	$ 176,258	$ 177,390

Sales by product line are as follows:

	3 months Mar. 31, 2003	3 months Mar. 31, 2002
	(thousands of dollars)	
Lumber	$ 135,544	$ 143,851
Logs	28,353	24,490
Wood chips and other by products	8,380	7,373
Other	3,981	1,676
	$ 176,258	$ 177,390

6. EBITDA:

EBITDA represents earnings before interest, taxes, depletion and amortization. EBITDA can be calculated from the statement of operations as follows:

	3 Months Mar. 31, 2003	3 Months Mar. 31, 2002
	(thousands of dollars)	
Net earnings (loss)	$ (2,790)	$ 3,125
Add:		
Income taxes (recovery)	(3,280)	1,730
Interest expense on long-term debt	615	949
Other interest expense	404	125
Amortization of plant and equipment	5,475	5,166
Depletion and amortization of timber, roads and other	3,984	2,463
EBITDA	$ 4,408	$ 13,558

The Company disclosed EBITDA as it is a measure used by analysts to evaluate the Company's performance. As EBITDA is a non-GAAP measure, it may not be comparable to EBITDA calculated by others. In addition, as EBITDA is not a substitute for net earnings, readers should consider net earnings in evaluating the Company's performance.

7. B.C. Forest Revitalization Plan

In March 2003, the Government of B.C ("Crown") introduced the Forestry Revitalization Plan (the "Plan") that provides for significant changes to Crown forest policy and to the existing allocation of Crown timber tenures to licensees. The changes prescribed in the Plan include: the elimination of minimum cut control regulations, the elimination of existing timber processing regulations, and the elimination of restrictions limiting the transfer and subdivision of existing licenses. As well, through legislation, licensees, including the Company, will be required to return 20% of their replaceable tenure to the Crown. The Plan states that approximately half of this volume will be redistributed to open up opportunities for woodlots, community forests and First Nations and the other half will be available for public auction. The Crown has acknowledged that licensees will be fairly compensated for the return of tenure and related costs such as roads and bridges.

The effect of the timber take-back is expected to result in a reduction of approximately 580,000 m3 of the Company's existing allowable annual cut on their replaceable tenures. The effect of the Plan on the Company's financial position and results of operations cannot be determined at this time. The Company will record the effects of the Plan at the time the amounts to be recorded are estimable.

QUARTERLY COMPARISONS

	2003	2002	2001	2000	1999
Sales ($ millions)					
1st Quarter	**176.3**	177.4	160.4	188.3	140.4
2nd Quarter		194.4	182.5	206.1	155.3
3rd Quarter		196.7	189.5	174.3	178.0
4th Quarter		215.6	171.7	176.9	187.4
Year		784.1	704.1	745.6	661.1
EBITDA * ($ millions)					
1st Quarter	**4.4**	13.6	8.8	26.5	10.0
2nd Quarter		40.9	14.7	37.4	30.3
3rd Quarter		31.2	12.6	23.2	34.8
4th Quarter		35.4	9.3	20.6	25.1
Year		121.1	45.4	107.7	100.2
Net Earnings (Loss) * ($ millions)					
1st Quarter	**(2.8)**	3.1	(19.4)	9.9	(0.3)
2nd Quarter		16.2	(0.5)	10.5	(42.5)
3rd Quarter		8.0	(2.0)	5.7	8.1
4th Quarter		12.7	(4.0)	4.6	3.9
Year		40.0	(25.9)	30.7	(30.8)
Net Earnings (Loss) per Share Before Restructuring Costs, Capital Asset Write-Downs and Recoveries * ($)					
1st Quarter	**(0.08)**	0.09	(0.01)	0.24	(0.01)
2nd Quarter		0.27	(0.01)	0.30	0.16
3rd Quarter		0.27	(0.06)	0.16	0.23
4th Quarter		0.35	(0.11)	0.14	0.11
Year		0.98	(0.20)	0.84	0.49
Net Earnings (Loss) per Share * ($)					
1st Quarter	**(0.08)**	0.09	(0.60)	0.28	(0.01)
2nd Quarter		0.45	(0.01)	0.30	(1.21)
3rd Quarter		0.22	(0.06)	0.17	0.23
4th Quarter		0.35	(0.11)	0.14	0.11
Year		1.12	(0.75)	0.90	(0.87)

* Restated – see note 1(a)

OPERATING STATISTICS

	Log Production	Lumber Sales	Average Selling Price Lumber	Average Selling Price Pulp Chips
	Mm^3	MMBM	$/MBM	$/MBM
1999				
1st Quarter	415	135	756	39
2nd Quarter	1,065	137	778	38
3rd Quarter	1,152	139	791	33
4th Quarter	817	140	780	45
Year	3,449	551	776	39
2000				
1st Quarter	583	160	809	46
2nd Quarter	1,117	170	819	53
3rd Quarter	867	139	759	61
4th Quarter	840	152	788	66
Year	3,407	621	795	56
2001				
1st Quarter	567	152	774	52
2nd Quarter	805	169	718	39
3rd Quarter	832	169	750**	37
4th Quarter	556	184	693**	37
Year	2,760	674	732*	41
2002				
1st Quarter	314	186	759**	32
2nd Quarter	981	185	758**	33
3rd Quarter	700	181	760**	34
4th Quarter	916	208	781**	33
Year	2,911	760	765**	33
2003				
1st Quarter	514	184	738**	34
2nd Quarter				
3rd Quarter				
4th Quarter				
Year				

** Excluding countervailing & antidumping duty provision

RATIO AND INVESTMENT INFORMATION

	Three Months Ended March 31, 2003	Year ended December 31, 2002	2001	2000	1999
Current ratio	1.5	1.6	1.5	1.4	1.7
Total debt as a percentage of invested capital	23.6%	14.5%	28.4%	1.4%	26.0%
Pre-tax return on total assets (before restructuring costs, capital asset write-downs and recoveries)	(4.4)%*	10.0%	(1.7)%	12.1%	6.4%
Return on average shareholders' equity	(3.8)%*	14.5%	(9.9)%	12.0%	(11.7)%
Return on average invested capital	(2.4)%*	12.1%	(7.1)%	10.7%	(6.7)%
Equity per share	$8.19	$8.27	$7.13	$8.29	$7.03
Weighted average shares outstanding (millions)	35.5	35.9	34.6	34.0	35.2

* Annualized (except restructuring costs, capital asset write-downs and recoveries)

INTERFOR

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