



International Forest Products Limited

First Quarter Report

For the three months ended March 31, 2004



Report to Shareholders and Management Discussion and Analysis:

Dated as of April 16, 2004

OPERATING RESULTS

International Forest Products Limited (“Interfor” or the “Company”) recorded net earnings of \$903,000 or \$0.02 per share in the 1st Quarter of 2004 compared to a net loss of \$6.9 million or \$0.14 per share in the immediately preceding quarter, and a net loss of \$2.4 million or \$0.07 per share in the 1st Quarter of 2003.

These results reflect strong performance from the Adams Lake operation which benefited from higher sales realizations and excellent costs in the quarter as well as more reasonable operating levels on the Coast. Strong results from Interfor’s investment in Seaboard Shipping Company Limited (“Seaboard”) and a gain of \$1.1 million, or \$0.7 million after tax, on the sale of surplus property also contributed to the results in the quarter.

Lumber shipments totaled 188.8 million board feet in the 1st Quarter compared to 137.5 million board feet in the immediately preceding quarter and 184.4 million board feet in the 1st Quarter of 2003, while log production amounted to 576,000 m³ compared to 636,000 m³ in the immediately preceding quarter and 514,000 m³ in the 1st Quarter of 2003.

Overall, sales revenue was \$170.2 million in the quarter compared to \$134.3 million in the 4th Quarter of 2003, and \$185.0 million in the same period last year. EBITDA increased to \$12.9 million in the 1st Quarter compared to \$0.9 million in the immediately preceding quarter and \$4.7 million in the same period last year.

During the 1st Quarter Interfor paid \$8.6 million (\$5.4 million after tax or \$0.11 per share) in countervailing and antidumping duties on shipments of 52.1 million board feet to the U.S. In the 1st Quarter of 2003 duties totaled \$8.7 million (\$5.5 million after tax or \$0.15 per share) on shipments of 46.0 million board feet.

Included in the results for the current quarter is a provision of \$600,000, or \$380,000 after tax, to account for the costs associated with staff downsizing, and \$500,000, or \$315,000 after tax, in costs associated with Interfor’s proposal to acquire a portion of Doman Industries Limited. As previously reported, Interfor withdrew its proposal on April 2, 2004 when it became apparent that an agreement could not be reached which met Interfor’s financial criteria.

Selected Quarterly Financial Information

2004 **2003** **2003**
Qtr 1 **Qtr 4** **Qtr 1**
 restated¹ restated¹
 (millions of dollars except share and per share amounts)

Sales	170.2	134.3	185.0
Operating earnings (loss)	(2.1)	(12.2)	(9.4)
EBITDA ⁴	12.9	0.9	4.7
Net earnings (loss) after tax, before restructuring costs and property, plant & equipment write-downs	1.3	(6.0)	(2.4)
Net earnings (loss)	0.9	(6.9)	(2.4)
Net earnings (loss) per share – basic and diluted	0.02	(0.14)	(0.07)
Cash flow from operations ² per share	0.20	0.05	0.03
Shares outstanding – end of period (millions) ³	48.4	48.4	35.5
– weighted average (millions)	48.4	48.4	35.5

1 Restated for adoption of new accounting policies and accounting policy changes. See note 2 to Unaudited Interim Consolidated Financial Statements.

2 Cash generated from operations before considering changes in operating working capital.

3 As at April 16, 2004 the number of shares outstanding by class are: Class A – 47.4 million, Class B – 1.0 million, Total – 48.4 million.

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

Net earnings (loss)	0.9	(6.9)	(2.4)
Add: Income taxes (recovery)	(0.3)	(3.8)	(3.4)
Interest expense	0.5	0.4	1.0
Depletion and amortization	11.2	9.7	9.5
Restructuring costs, asset write-downs and other	0.6	1.5	-
EBITDA	12.9	0.9	4.7

Volume and Price Statistics

Lumber sales (MMfbm)	189	138	184
Lumber production (MMfbm)	204	134	204
Log sales (thousand cubic metres)	253	252	313
Log production (thousand cubic metres)	576	636	514
Log consumption (thousand cubic metres)	856	576	919
Average lumber selling price (\$/Mfbm) ¹	\$620	\$634	\$690

1 \$ Canadian, FAS Value, net of countervailing duty and antidumping duty.

CASH FLOW AND BALANCE SHEET

During the quarter, Interfor generated \$17.0 million in cash from operations after changes in working capital, an improvement of \$20.3 million over the previous quarter and \$44.8 million over the same quarter in 2003. As accounts receivable increased from the low year end levels, the Company's securitization program was increased to \$20.0 million from \$10.0 million at the end of the 4th Quarter of 2003.

Capital spending was \$9.5 million including \$6.1 million in roads, \$0.7 million in maintenance capital, \$1.0 million in high return discretionary projects and \$1.7 million in land developments costs. Capital spending in the previous quarter totaled \$9.1 million, and \$12.7 million in the same quarter in 2003. In addition, Interfor received net proceeds of \$2.6 million on the sale of the first of four phases of the Sawyer's Landing property (formerly Bay Lumber), and received \$3.5 million in distributions from Seaboard in the quarter.

The Company also renewed its operating line of credit, with terms and conditions remaining unchanged, extending the maturity date to April 28, 2005.

As a result, net debt decreased by \$14.4 million during the quarter, leaving Interfor with a cash balance of \$1.5 million at the end of the quarter and \$148.4 million of unused lines of credit.

NEW ACCOUNTING POLICIES AND ACCOUNTING POLICY CHANGES

Effective January 1, 2004, Interfor adopted a number of accounting policies and accounting policy changes resulting from various new Canadian Institute of Chartered Accountants (“CICA”) Handbook recommendations and Accounting Guidelines.

Interfor retroactively adopted the CICA Handbook recommendation on asset retirement obligations, which, for the Company, encompasses primarily reforestation and road deactivation liabilities. Under this new section, asset retirement obligations are measured at fair value. As a result of adopting these new recommendations, Interfor’s reforestation liability decreased by \$4.9 million, long-term liabilities decreased by \$0.5 million, the net future income tax liability increased by \$1.8 million and retained earnings increased by \$3.6 million at December 31, 2003. The impact on the current quarter was a pre-tax increase to earnings of \$219,000.

The Company adopted the new CICA Accounting Guideline on Hedging Relationships, which discusses the identification, designation, documentation and effectiveness of hedging relationships. The new requirements have been applied on a prospective basis to all instruments existing on, or entered into after January 1, 2004. Interfor believes that its use of derivative foreign currency forwards and options results in an economic hedge against fluctuations in foreign exchange rates related to future revenue. However, the Company has chosen to not designate its derivative forward foreign exchange contracts and options as hedges. Consequently, derivatives for which hedge accounting is not applied are carried on the balance sheet at fair value, with changes in fair value being recorded in the statement of operations.

Interfor also adopted the new CICA Handbook recommendation on the impairment of long-lived assets, which requires the Company to recognize an impairment loss when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows, expected to result from its use and eventual disposition. The impairment loss is measured as the amount by which the long-lived asset’s carrying amount exceeds its fair value. Prior standards required that the impairment loss be measured as the amount by which the long-lived asset’s carrying amount exceeded its undiscounted cash flows. The adoption of the policy had no impact on Interfor’s financial statements.

To meet the requirements of the new CICA Handbook recommendations for the application of GAAP, the Company reclassified its countervailing and anti-dumping duties from sales to costs and expenses. Prior period amounts were restated to reflect the reclassifications.

OUTLOOK

The Company is cautiously optimistic about prospects for the balance of the year. Demand and prices in the U.S. structural market are very strong, and the Japanese market has improved. In addition, recent rate reductions by the Bank of Canada have taken some of the pressure off of the Canadian dollar.

The introduction of market-based timber pricing in the coastal region is a positive development and is expected to enable log production and milling operations to operate at higher levels.

In the absence of a negotiated settlement in the softwood dispute the Company’s results will continue to be negatively impacted by U.S. duties in the coming months.

The Company presently has approximately 200 acres of surplus properties from former mill sites. These properties are in the process of being prepared for sale. Interfor expects to complete the sale of these properties over the next two years with estimated net proceeds in the range of \$25 million.

ADDITIONAL INFORMATION

Additional information relating to the Company and its operations, including Interfor's Annual Statutory Information for 2003, can be found on its website at www.interfor.com and on SEDAR at www.sedar.com.

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 report.



William L. Sauder
Chairman



Duncan K. Davies
President and Chief Executive Officer



CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended March 31, 2004 and 2003 (unaudited)

(thousands of dollars except earnings per share)	3 Months Mar. 31, 2004	3 Months Mar. 31, 2003
		(restated – note 2)
Sales	\$ 170,194	\$ 184,960
Costs and expenses:		
Production (note 2(a))	145,969	171,310
Selling and administration	6,031	4,924
U.S. countervailing and antidumping duty deposits (notes 2(d) and 10(a))	8,567	8,702
Amortization of plant and equipment	5,285	5,475
Depletion and amortization of timber, roads and other	5,879	3,984
Restructuring costs (note 6)	600	-
	172,331	194,395
Operating earnings (loss)	(2,137)	(9,435)
Interest expense on long-term debt	(140)	(615)
Other interest expense	(415)	(404)
Other income	1,121	2,497
Equity in earnings of investee companies	2,154	2,174
	2,720	3,652
Earnings (loss) before income taxes	583	(5,783)
Income taxes (recovery):		
Current	400	300
Future (note 2(a))	(720)	(3,684)
	(320)	(3,384)
Net earnings (loss)	\$ 903	\$ (2,399)
Net earnings (loss) per share, basic and diluted (note 8)	\$ 0.02	\$ (0.07)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the three months ended March 31, 2004 and 2003 (unaudited)

(thousands of dollars)	3 Months Mar. 31, 2004	3 Months Mar. 31, 2003
		(restated – note 2)
Retained earnings, beginning of year, as restated (note 2(a))	\$ 41,505	\$ 66,399
Net earnings (loss)	903	(2,399)
Retained earnings, end of period	\$ 42,408	\$ 64,000

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2004 and 2003 (unaudited)

(thousands of dollars)	3 Months Mar. 31, 2004	3 Months Mar. 31, 2003
		(restated – note 2)
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	\$ 903	\$ (2,399)
Items not involving cash:		
Amortization of plant and equipment	5,285	5,475
Depletion and amortization of timber, roads and other	5,879	3,984
Future income taxes	(720)	(3,684)
Reforestation liability	1,388	544
Other long-term liabilities	125	437
Equity in earnings of investee companies	(2,154)	(2,174)
Other	(1,121)	(1,076)
	9,585	1,107
Cash generated from (used in) operating working capital:		
Accounts receivable	(9,694)	(5,743)
Inventories	(6,271)	431
Prepaid expenses	782	1,261
Accounts payable and accrued liabilities	22,424	(25,080)
Income taxes	190	216
	17,016	(27,808)
Investing activities:		
Additions to property, plant and equipment	(3,394)	(8,062)
Additions to logging roads and timber	(6,123)	(4,588)
Proceeds on disposal of property, plant and equipment	2,674	640
Investments and other assets	4,163	495
	(2,680)	(11,515)
Financing activities:		
Repurchase of capital stock	-	(923)
Issuance of capital stock, net of expenses	81	342
Increase (decrease) in bank indebtedness	(12,951)	39,662
	(12,870)	39,081
Increase (decrease) in cash	1,466	(242)
Cash on deposit, beginning of period	-	242
Cash on deposit, end of period	\$ 1,466	\$ -

See accompanying notes to consolidated financial statements



CONSOLIDATED BALANCE SHEETS

March 31, 2004 and 2003 (unaudited) and December 31, 2003 (audited)

(thousands of dollars)

	March 31, 2004	December 31, 2003	March 31, 2003
		(restated – note 2)	(restated – note 2)
Assets			
Current assets:			
Cash on deposit	\$ 1,466	\$ -	\$ -
Accounts receivable	35,972	26,278	45,902
Inventories	99,316	93,045	141,832
Prepaid expenses	5,898	6,680	5,037
Future income taxes	4,787	4,505	16,121
	147,439	130,508	208,892
Investments and other assets:			
Investments and advances	39,113	41,122	35,875
Deferred financing fee, net of accumulated amortization	13	53	-
	39,126	41,175	35,875
Property, plant and equipment, net of accumulated amortization	191,216	194,660	198,698
Timber and logging roads, net of accumulated depletion and amortization	86,921	86,637	87,053
Goodwill	13,862	13,862	19,647
	\$ 478,564	\$ 466,842	\$ 550,165
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness (note 5)	\$ -	\$ 12,951	\$ 39,662
Accounts payable and accrued liabilities	91,740	69,316	101,144
Income taxes payable	548	358	406
	92,288	82,625	141,212
Reforestation liability, net of current portion (note 2(a))	17,558	16,170	17,576
Long-term debt	-	-	50,000
Other long-term liabilities (note 2(a))	14,089	13,964	9,314
Future income taxes (note 2(a))	6,397	6,835	37,824
Shareholders' equity:			
Share capital (note 7)			
Class A subordinate voting shares	293,543	293,462	217,958
Class B common shares	4,080	4,080	4,080
Contributed surplus	8,201	8,201	8,201
Retained earnings	42,408	41,505	64,000
	348,232	347,248	294,239
	\$ 478,564	\$ 466,842	\$ 550,165

See accompanying notes to consolidated financial statements

On behalf of the Board:

W. L. Sauder
Director

J. A. Milroy
Director

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements
(Tabular amounts expressed in thousands except per share amounts)
Three months ended March 31, 2004 and 2003

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, 2003, except for the new accounting policies and changes in accounting policies adopted subsequent to that date, as detailed below.

2. Adoption of new accounting policies and accounting policy changes:

The following accounting policy adoptions and accounting policy changes have an effective date of January 1, 2004:

(a) Asset retirement obligations:

The Company retroactively adopted the Canadian Institute of Chartered Accountants (“CICA”) new handbook section 3110 on the recognition and measurement of asset retirement obligations, which for the Company encompasses primarily reforestation and road deactivation liabilities. Under this new section, asset retirement obligations are recognized at the fair value in the period in which the legal obligation was incurred, with fair value of a liability determined with reference to the present value of estimated future cash flows. In periods subsequent to the initial measurement, changes in the liability resulting from the passage of time and revisions to fair value calculations are recognized in the statement of operations as they occur.

The following changes to historical financial statements have been made to reflect the new policy:

	Prior Policy	New policy
Balance Sheet as at March 31, 2003:		
Reforestation liability	\$ 22,591	\$ 17,576
Other long-term liabilities	9,846	9,314
Future income taxes payable	35,966	37,824
Retained earnings, ending	60,311	64,000
Retained earnings, beginning	63,101	66,399
Statement of Operations for the three months ended March 31, 2003:		
Production costs	\$ 171,597	\$ 171,310
Future income taxes recovery	3,580	3,684
Net loss	2,790	2,399
Net loss per share	0.08	0.07
Balance Sheet as at December 31, 2003:		
Reforestation liability	\$ 21,044	\$ 16,170
Other long-term liabilities	14,463	13,964
Future income taxes payable	5,035	6,835
Retained earnings, ending	37,932	41,505

Utilizing a before-tax discount rate of 7.0%, the reforestation liability was estimated based on an assumption of undiscounted cash flows of \$31,000,000 (2003 - \$33,000,000) to be paid over a 15 year period, and the road deactivation liability was based on undiscounted cash flows of \$5,000,000 (2003 - \$5,000,000) to be paid over a 11 year period.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2004 and 2003

2. Adoption of new accounting policies and accounting policy changes (continued):

(b) Hedging relationships and accounting for derivative financial instruments:

The Company adopted the CICA new Accounting Guideline-13, *Hedging Relationships*, which discusses the identification, designation, documentation and effectiveness of hedging relationships. The new requirements have been applied on a prospective basis to all instruments existing on, or entered into after January 1, 2004. The Company believes that its use of derivative foreign currency forwards and options disclosed in note 11(a) results in an economic hedge against fluctuations in foreign exchange rates related to future revenue. However, the Company has chosen to not designate its derivative forward foreign exchange contracts and options as hedges. Consequently, derivatives for which hedge accounting is not applied are carried on the balance sheet at fair value, with changes in fair value being recorded in the statement of operations.

(c) Impairment of long-lived assets:

The Company adopted the new CICA recommendations of Section 3063, *Impairment of Long-lived Assets*. These recommendations require the Company to determine if an impairment loss exists, by determining if the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. If an impairment loss exists, the amount of the loss is measured as the amount by which the long-lived asset's carrying amount exceeds its fair value. Prior standards required that an impairment loss be measured at the amount by which the long-lived asset's carrying amount exceeded its undiscounted cash flows. On adoption, this new standard did not impact the Company's consolidated financial statements.

(d) Countervailing and anti-dumping duties:

The CICA introduced a new recommendation for the application of generally accepted accounting principles (GAAP), which provides guidance on alternate sources to consult with when an issue is not specifically addressed by Canadian GAAP. Prior to January 1, 2004, the Company, along with other companies in the forest industry, presented sales net of countervailing and anti-dumping duties. In accordance with the new GAAP standard, countervailing and anti-dumping duties have been reclassified to costs and expenses. Prior period amounts have been restated to reflect these reclassifications.

3. Comparative figures:

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

4. 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 increases during the spring, summer and fall.

5. Bank indebtedness:

The Company renewed its operating line of credit. The terms and conditions of the line remain unchanged, with a maximum operating line of credit totaling \$75,000,000 (2003 - \$60,000,000), and subject to a borrowing base calculation dependent upon certain accounts receivable and inventories. The loan bears interest at bank prime plus a premium depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances. The line of credit is secured and is subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization. The line now matures on April 28, 2005. As at March 31, 2004, outstanding letters of credit of \$1,600,000 brought the unused portion of the line to \$73,400,000.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements
(Tabular amounts expressed in thousands except per share amounts)
Three months ended March 31, 2004 and 2003

6. Restructuring costs:

In light of the 20% reduction of the Company's timber tenures discussed below (note 10(b)), the Company reduced staff levels and recorded severance costs of \$600,000 pre tax (\$380,000 after tax) during the quarter.

7. Share capital:

In January 2004, the Company introduced a Deferred Share Unit ("DSU") Plan for Directors and senior officers of the Company. The Plan, which allows for immediate vesting, is intended to provide a better link between share performance and compensation for the participants, in that DSUs either increase or decrease in value in a direct relationship with the Company's Class "A" Subordinate Voting shares. Participants in the Total Shareholder Return Plan may elect to receive their award in DSUs at the end of any performance period. DSUs may also be granted directly to Directors or senior employees of the Company at the discretion of the Board. In January 2004 a total of 24,000 DSUs were granted to Directors under the plan at a value of \$6.05 per unit and charged to operations. Subsequent changes to share values will result in adjustments to compensation expense.

8. Net earnings (loss) per share:

	3 months Mar. 31, 2004	3 months Mar. 31, 2003
Net earnings (loss) reported	\$ 903	\$ (2,399)
Weighted average common shares outstanding	48,402	35,533
Earnings (loss) per share, basic and diluted	\$ 0.02	\$ (0.07)

9. 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, 2004	3 months Mar. 31, 2003
Canada	\$ 58,141	\$ 69,630
United States	47,909	43,950
Japan	35,418	49,619
Other export	28,726	21,761
	\$ 170,194	\$ 184,960

Sales by product line are as follows:

	3 months Mar. 31, 2004	3 months Mar. 31, 2003
Lumber	\$ 135,173	\$ 144,246
Logs	22,422	28,353
Wood chips and other by products	8,139	8,380
Other	4,460	3,981
	\$ 170,194	\$ 184,960

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2004 and 2003

10. Contingencies:

(a) U.S. Softwood Lumber dispute:

The Company has recorded \$8,567,000 (2003 - \$8,702,000) for the three months ended March 31, 2004 in respect of the countervailing and antidumping duties assessed on Canadian softwood lumber exports to the United States. Cumulative duties for the period from May 22, 2002 to March 31, 2004 total \$64,076,000 (US\$44,029,000).

The Company and other Canadian forest product companies, the Federal Government and Canadian provincial governments ("Canadian Interests") continue to categorically deny the U.S. allegations that sales of Canadian softwood lumber into the U.S. threatens material injury to the U.S. industry. Canadian interests continue to pursue appeals of the final countervailing and dumping determinations with the appropriate courts, NAFTA panels and the WTO.

(b) 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.

In February 2004, the Crown notified the Company of the specific AAC by individual licence that it intended to take back. A number of details including transition issues must be resolved before a transfer date can be established. Since this process is expected to take several years, the company is permitted to operate in these areas until the transfer date.

The effect of the 20% timber take-back will result in a reduction of approximately 579,000 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.

11. Financial instruments:

(a) Derivative financial instruments:

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 does not expect any credit losses in the event of non-performance by counter parties as the counter parties are the Company's bankers.

As at March 31, 2004, the Company has outstanding obligations to sell a maximum of US\$17,000,000 at an average rate of CDN\$1.34 and Japanese ¥355,000,000 at an average rate of ¥80.35 to the CDN\$ during 2004. Based on the exchange rates at March 31, 2004, the Company has no unrealized gains with respect to these hedging arrangements.

There were no interest rate swaps outstanding as at March 31, 2004.

(b) Sale of receivables:

During 2000, the Company entered into an agreement to sell designated trade receivables, with limited recourse, to a Trust. As these trade receivables are collected, they are replaced by new receivables to maintain the aggregate outstanding balance. At March 31, 2004, the company received cash proceeds of \$20,000,000 (2003 - \$20,000,000), increased from \$10,000,000 at December 31, 2003.

QUARTERLY COMPARISONS

	2004	2003	2002	2001	2000
Sales * (\$ millions)					
1st Quarter	170.2	185.0	182.9	160.4	188.3
2nd Quarter		166.6	192.6	182.5	206.1
3rd Quarter		148.8	207.1	194.0	174.3
4th Quarter		134.3	226.0	177.4	176.9
Year		634.7	808.6	714.3	745.6

EBITDA * (\$ millions)					
1st Quarter	12.9	4.7	13.0	9.1	27.5
2nd Quarter		(8.2)	41.1	14.6	37.5
3rd Quarter		7.2	31.3	12.9	23.4
4th Quarter		0.9	35.3	8.7	20.5
Year		4.6	120.7	45.3	108.9

Net Earnings (Loss) * (\$ millions)					
1st Quarter	0.9	(2.4)	2.7	(18.5)	9.9
2nd Quarter		(12.0)	16.3	(0.5)	10.6
3rd Quarter		(1.4)	8.0	(1.9)	5.8
4th Quarter		(6.9)	12.6	(4.4)	4.6
Year		(22.7)	39.6	(25.3)	30.9

Net Earnings (Loss) per Share Before Restructuring Costs, Capital Asset Write-Downs and Recoveries * (\$)

1st Quarter	0.03	(0.07)	0.07	0.01	0.24
2nd Quarter		(0.31)	0.27	(0.02)	0.31
3rd Quarter		(0.04)	0.27	(0.05)	0.16
4th Quarter		(0.12)	0.35	(0.12)	0.14
Year		(0.52)	0.97	(0.18)	0.85

Net Earnings (Loss) per Share * (\$)

1st Quarter	0.02	(0.07)	0.07	(0.58)	0.28
2nd Quarter		(0.34)	0.45	(0.02)	0.31
3rd Quarter		(0.04)	0.22	(0.05)	0.17
4th Quarter		(0.14)	0.35	(0.12)	0.14
Year		(0.58)	1.10	(0.73)	0.91

* Restated – see note 2 to Unaudited Interim Consolidated Financial Statements

OPERATING STATISTICS

	Log	Lumber	Average Selling Price	
	Production	Sales	Lumber	Pulp Chips
	Mm ³	MMBM	\$/MBM	

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	738 **	33
3rd Quarter	700	181	702 **	34
4th Quarter	916	208	731 **	33
Year	2,911	760	733 **	33

2003				
1st Quarter	514	184	690 **	34
2nd Quarter	479	167	648 **	38
3rd Quarter	336	143	670 **	39
4th Quarter	636	138	634 **	36
Year	1,965	632	662 **	37

2004				
1st Quarter	576	189	620 **	34
2nd Quarter				
3rd Quarter				
4th Quarter				
Year				

** net of countervailing & antidumping duty provision

RATIO AND INVESTMENT INFORMATION

	Three Months	Year ended December 31,			
	Ended Mar. 31,	2003	2002	2001	2000
	2004				
Current ratio	1.6	1.6	1.6	1.5	1.4
Total debt as a percentage of invested capital	0.0%	3.6%	14.4%	28.1%	1.4%
Pre-tax return on total assets (before restructuring costs, capital asset write-downs and recoveries)	1.0% *	(7.5)%	9.9%	(1.7)%	12.4%
Return on average shareholders' equity	1.4% *	(7.0)%	14.2%	(9.6)%	11.9%
Return on average invested capital	1.7% *	(5.8)%	11.8%	(8.0)%	9.7%
Equity per share	\$7.19	\$7.18	\$8.36	\$7.24	\$8.38
Weighted average shares outstanding (millions)	48.4	39.5	35.9	34.6	34.0

* Annualized (except restructuring costs, write-downs of property, plant & equipment and recoveries)



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