



PRESS RELEASE

International Forest Products Limited

Vancouver, B.C.

January 26, 2005

Strong 4th Quarter Results Attributable to Property Sales and Break Fee Lower Product Prices and Rising Dollar Negatively Impact Operating Results

OPERATING RESULTS

International Forest Products Limited (“Interfor” or the “Company”) recorded net earnings of \$18.6 million or \$0.38 per share before restructuring costs in the 4th Quarter of 2004 compared to net earnings of \$9.8 million or \$0.20 per share before restructuring costs in the immediately preceding quarter, and a net loss before restructuring costs of \$5.9 million or \$0.12 per share in the 4th Quarter of 2003.

“The results for the quarter were primarily attributable to the gains on the sale of surplus property, plant and equipment (\$11.7 million or \$0.23 per share) and to the break fee received on the termination of the agreement to acquire Riverside Forest Products (\$7.0 million, net of expenses, or \$0.13 per share)”, said Duncan Davies, Interfor’s President and Chief Executive Officer. From an operating standpoint, the quarter was much more challenging than the previous two quarters as reduced activity in Japan, lower product prices and the rising value of the Canadian dollar combined to negatively impact the Company’s results. In spite of the decline, Interfor’s Interior and U.S. Operations continued to generate attractive, albeit reduced, returns while the Company’s Coastal Operations made a negative contribution in the quarter.

Lumber shipments totalled 272 million board feet in the 4th Quarter compared to 238 million board feet in the preceding three months, reflecting a full quarter of production from the Company’s U.S. Operations which were acquired in September. Sales revenue, on the other hand, declined to \$213 million from \$239 million in the 3rd Quarter. EBITDA was \$33.7 million compared to \$31.2 million in the 3rd Quarter. In the 4th Quarter of 2003 EBITDA was \$925,000.

During the 4th Quarter Interfor paid \$7.3 million (\$4.6 million after tax or \$0.10 per share) in deposits for countervailing and antidumping duties on shipments of 62 million board feet from Canada to the U.S. The amount of deposits paid in the 4th Quarter reflects the decline in the combined duty rate to approximately 21% from 27.2% resulting from the issuance of the Final Determination in the First Administrative Review by the U.S. Department of Commerce.

Amongst other things, the revised rate sets the deposit rates on future shipments to the U.S. The new rate was effective December 20, 2004. At the end of the 4th Quarter of 2004 Interfor had paid total deposits of US\$66.8 million (CAD\$80.3 million utilizing December 31, 2004 exchange rates) since the deposit requirement came into effect in May 2002.

RESTRUCTURING COSTS IMPACT 4th QUARTER RESULTS

In the 4th Quarter Interfor continued its program of rationalizing operations in anticipation of the Province of B.C.'s timber tenure reductions and to reduce its ongoing cost structure. To reflect the costs associated with these initiatives the Company recorded a restructuring provision of \$5.3 million or \$0.07 per share after tax in the quarter made up of \$3.8 million in severance payments with the balance in asset write-downs and other costs. Including the restructuring provision Interfor recorded net earnings of \$15.2 million or \$0.31 per share in the Quarter.

CASH FLOW AND BALANCE SHEET

During the 4th Quarter Interfor generated \$9.1 million in cash from operations before changes in working capital, and \$40.5 million after changes in working capital were considered, as curtailments in the Company's Coastal Operations designed to reduce inventories had the intended effect. The sale of surplus properties generated another \$26.8 million in the 4th Quarter.

Capital spending in the 4th Quarter amounted to \$20.0 million including \$6.6 million on roads, \$3.5 million on maintenance projects, \$390,000 on land development and \$9.4 million on discretionary projects. The spending on discretionary projects includes approximately \$6.0 million related to the rebuild of the Company's Western Whitewood ("3W") sawmill in New Westminster which was announced during the 3rd Quarter of the year. The 3W project is expected to be completed in April 2005.

All together, net debt was reduced by \$50.2 million in the 4th Quarter to stand at \$55.9 million, or the equivalent of 13% of invested capital. This compares to a ratio of net debt to invested capital of 23% at the end of the 3rd Quarter, and 4% at the end of the 4th Quarter last year.

OUTLOOK

After falling precipitously during the 4th Quarter, the price of structural lumber products in the North American market has rebounded by US\$40 to US\$50 per thousand board feet, and the Canadian dollar has fallen back to the US\$0.81 range. In the short-term, the cedar market will be negatively impacted by the extreme cold and snow across the eastern U.S. The price of structural products in Japan is stable.

Interfor expects to operate its Interior and U.S. sawmill operations on a normal basis in the 1st Quarter while its Coastal operations will in all likelihood continue to operate on a reduced basis throughout the quarter.

Under the terms of a "put" exercised by the majority shareholders of an investee company Interfor is required to acquire, effective January 1, 2005, the interest in that company which it does not currently own. The cost to complete the transaction is expected to be in the range of \$8 to \$10 million. The transaction will be completed in the 2nd Quarter of the year.

At the same time, Interfor has embarked on a review of the strategic alternatives relating to a number of its assets and investments in order to ascertain whether shareholder value is being maximized under the Company's current configuration.

Concurrently, the initiative to streamline the Company's operational configuration – particularly in the Coastal area – will continue. In the short term, Interfor's financial results will be constrained by the inability of certain operations to function at a globally competitive level. The Company also intends to continue its initiative to identify complementary opportunities in the Interior and U.S. Pacific Northwest.

FORWARD LOOKING STATEMENTS

This press release 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.

EBITDA

EBITDA represents earnings before interest, taxes, depletion, amortization and restructuring costs. The Company discloses 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.



CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months and years ended December 31, 2004 and 2003 (unaudited)

(thousands of Canadian dollars except earnings per share)

	3 Months Dec. 31, 2004	3 Months Dec. 31, 2003	Year Dec. 31, 2004	Year Dec. 31, 2003
		(restated – note 2)		(restated – note 2)
Sales	\$ 212,690	\$ 135,397	\$ 833,480	\$ 639,607
Costs and expenses:				
Production (notes 2(a) and 2(d))	188,592	125,331	695,443	596,027
Selling and administration	3,476	5,021	21,469	18,845
U.S. countervailing and antidumping duty deposits (notes 2(d) and 11(a))	7,301	5,954	37,483	31,040
Amortization of plant and equipment	6,769	4,520	23,226	19,507
Depletion and amortization of timber, roads and other	6,537	5,197	32,026	16,581
Restructuring costs (note 7)	5,283	1,525	26,026	3,225
	217,958	147,548	835,673	685,225
Operating loss	(5,268)	(12,151)	(2,193)	(45,618)
Interest expense on long-term debt	(823)	(94)	(1,498)	(1,775)
Other interest expense	(420)	(284)	(1,661)	(1,931)
Other income (note 4(b))	18,657	(154)	21,509	3,298
Equity in earnings of investee companies	1,678	1,988	8,936	7,566
	19,092	1,456	27,286	7,158
Earnings (loss) before income taxes	13,824	(10,695)	25,093	(38,460)
Income taxes (recovery):				
Current	1,493	(205)	3,593	495
Future (note 2(a))	(2,903)	(3,575)	(3,213)	(16,240)
	(1,410)	(3,780)	380	(15,745)
Net earnings (loss)	\$ 15,234	\$ (6,915)	\$ 24,713	\$ (22,715)
Net earnings (loss) per share (note 9)				
Basic	\$ 0.31	\$ (0.14)	\$ 0.51	\$ (0.58)
Diluted	\$ 0.31	\$ (0.14)	\$ 0.50	\$ (0.58)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31, 2004 and 2003 (unaudited)

(thousands of Canadian dollars)

	Year Dec. 31, 2004	Year Dec. 31, 2003
		(restated – note 2)
Retained earnings, beginning of year, as restated (note 2(a))	\$ 41,505	\$ 66,399
Net earnings (loss)	24,713	(22,715)
Share issue expenses, net of future income taxes of \$1,117	-	(2,179)
Retained earnings, end of year	\$ 66,218	\$ 41,505

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months and years ended December 31, 2004 and 2003 (unaudited)

(thousands of Canadian dollars)

	3 Months Dec. 31, 2004	3 Months Dec. 31, 2003	Year Dec. 31, 2004	Year Dec. 31, 2003
Cash provided by (used in):		(restated – note 2)		(restated – note 2)
Operating activities:				
Net earnings (loss)	\$ 15,234	\$ (6,915)	\$ 24,713	\$ (22,715)
Items not involving cash:				
Amortization of plant and equipment	6,769	4,520	23,226	19,507
Depletion and amortization of timber, roads and other	6,537	5,197	32,026	16,581
Future income taxes	(2,903)	(3,575)	(3,213)	(16,240)
Reforestation liability	(1,523)	(808)	812	(862)
Other long-term liabilities	(2,495)	2,506	(3,996)	5,087
Equity in earnings of investee companies	(1,678)	(1,988)	(8,936)	(7,566)
Writedown of plant and equipment	851	3,315	15,972	3,315
Other (note 4(b))	(11,657)	6	(14,509)	(2,025)
	9,135	2,258	66,095	(4,918)
Cash generated from (used in) operating working capital:				
Accounts receivable	15,290	13,216	(9,445)	13,881
Inventories	37,846	(12,623)	(1,552)	49,218
Prepaid expenses	1,129	(434)	(508)	(382)
Accounts payable and accrued liabilities	(21,823)	(5,665)	16,395	(56,908)
Income taxes	(1,049)	(44)	221	168
	40,528	(3,292)	71,206	1,059
Investing activities:				
Additions to property, plant and equipment	(13,351)	(4,663)	(28,690)	(23,275)
Additions to logging roads and timber	(6,600)	(4,482)	(28,940)	(16,625)
Proceeds on disposal of property, plant and equipment	26,824	458	33,003	3,494
Acquisition of sawmill assets of Crown Pacific (note 4(a))	-	-	(98,955)	-
Investments and other assets	(1,322)	94	2,322	528
	5,551	(8,593)	(121,260)	(35,878)
Financing activities:				
Repurchase of share capital	-	-	-	(923)
Issuance of share capital	1,038	-	1,119	72,549
Increase (decrease) in bank indebtedness	(21,933)	11,885	(12,951)	12,951
Additions to long-term debt (notes 4(a) and 6(b))	-	-	87,577	-
Repayments of long-term debt (note 6(b))	(6,023)	-	(6,023)	(50,000)
	(26,918)	11,885	69,722	34,577
Foreign exchange gain on cash and cash equivalents held in a foreign currency:	(902)	-	(1,409)	-
Increase (Decrease) in cash	18,259	-	18,259	(242)
Cash on deposit, beginning of period	-	-	-	242
Cash on deposit, end of period	\$ 18,259	\$ -	\$ 18,259	\$ -

See accompanying notes to consolidated financial statements



CONSOLIDATED BALANCE SHEETS

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

(thousands of Canadian dollars)

	December 31, 2004	December 31, 2003
		(restated – note 2)
Assets		
Current assets:		
Cash	\$ 18,259	\$ -
Accounts receivable (note 12(b))	42,228	26,278
Inventories	108,763	93,045
Prepaid expenses	10,231	6,680
Future income taxes	7,281	4,505
	<u>186,762</u>	<u>130,508</u>
Investments and other assets:		
Investments and advances	47,236	41,122
Deferred financing fee, net of accumulated amortization	509	53
	<u>47,745</u>	<u>41,175</u>
Property, plant and equipment, net of accumulated amortization	235,449	194,660
Timber and logging roads, net of accumulated depletion and amortization	82,556	86,637
Goodwill and other intangible assets	14,062	13,862
	<u>\$ 566,574</u>	<u>\$ 466,842</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 6(a))	\$ -	\$ 12,951
Accounts payable and accrued liabilities	85,802	69,316
Income taxes payable	579	358
	<u>86,381</u>	<u>82,625</u>
Reforestation liability, net of current portion (note 2(a))	16,982	16,170
Long-term debt (note 6(b))	74,163	-
Other long-term liabilities (note 2(a))	9,968	13,964
Future income taxes (note 2(a))	6,332	6,835
Shareholders' equity:		
Share capital (note 8)		
Class A subordinate voting shares	294,581	293,462
Class B common shares	4,080	4,080
Contributed surplus	8,201	8,201
Cumulative translation adjustment	(332)	-
Retained earnings	66,218	41,505
	<u>372,748</u>	<u>347,248</u>
	<u>\$ 566,574</u>	<u>\$ 466,842</u>

Contingencies (note 11)

See accompanying notes to consolidated financial statements

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months and years ended December 31, 2004 and 2003 (unaudited)

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, except for item (e), which has an effective date of June 30, 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
	(restated - note 2(d))	
Statement of Operations for the year ended December 31, 2003:		
Production costs	\$ 591,234	\$ 596,027
Future income taxes recovery	16,078	16,240
Net loss	22,990	22,715
Net loss per share	0.58	0.58
Statement of Operations for the three months ended December 31, 2003:		
Production costs	\$ 123,989	\$ 125,331
Future income taxes recovery	3,478	3,575
Net loss	6,722	6,915
Net loss per share	0.14	0.14
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 - \$31,000,000) 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.

(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 12(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.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months and years ended December 31, 2004 and 2003 (unaudited)

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

(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 and freight, wharfage and handling costs:

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. Similarly, freight, wharfage and handling costs have also been reclassified to production costs. Prior period amounts have been restated to reflect these reclassifications.

(e) Employee future benefits:

The Company adopted the new disclosure requirements of the revised CICA recommendations of Section 3461, *Employee Future Benefits*, effective June 30, 2004. The revisions to the CICA Handbook Section are in the area of disclosure and are intended to improve and expand upon previous reporting requirements. Accordingly, the Company discloses its total benefits cost under its various pension plans (described in the Company's audited annual consolidated financial statements) as follows:

	3 months Dec. 31, 2004	3 months Dec. 31, 2003	Year Dec. 31, 2004	Year Dec. 31, 2003
Defined contribution plan	\$ 429	\$ 422	\$ 1,825	\$ 2,028
Defined benefit plan	167	61	637	520
Unionized employees' pension plan	838	507	4,703	4,253
U.S. operations benefit plan	307	-	307	-
Senior management supplementary pension plan	26	26	105	105
Total pension expense	\$ 1,767	\$ 1,016	\$ 7,577	\$ 6,906

(f) Foreign currency translation:

The integrated subsidiaries of the Company translate monetary items to Canadian Dollars at exchange rates in effect at the balance sheet date and non-monetary items at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at average rates for the period. Foreign exchange gains and losses are included in production costs or sales, depending upon what type of activity originated the balances.

Self-sustaining operations' assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average rates for the period. Any material corresponding foreign exchange gains and losses are deferred and disclosed separately as a cumulative exchange adjustment, a separate component of shareholders' equity.

Long-term obligations denominated in foreign currencies are designated as hedges of investments in self-sustaining operations. Accordingly, cumulative unrealized gains or losses arising from the translation of these obligations are recorded as cumulative translation adjustments.

3. Comparative figures:

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

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months and years ended December 31, 2004 and 2003 (unaudited)

4. Acquisition and disposals:

(a) Crown Pacific Limited Partners Acquisition:

On September 1, 2004 the Company acquired the sawmill assets of Crown Pacific Limited Partners and its affiliates ("Crown Pacific") in the U.S. Pacific Northwest. To acquire these assets, the Company paid CAD \$98,955,000, of which \$41,622,000 was financed through the existing Revolving Line, \$45,955,000 was financed through a new Non-Revolving Line, and the balance through the Operating Line, more fully described in Note 6.

This acquisition has been accounted for using the purchase method and the purchase price is allocated as follows:

Net assets acquired:		
Current assets	\$	23,715
Property, plant and equipment		74,979
Intangible assets		295
		<hr/> 98,989
Liabilities assumed:		
Current liabilities		34
	\$	<hr/> 98,955
Cash consideration funded out of:		
Operating Line	\$	11,378
Revolving Line		41,622
Non-revolving Line		45,955
	\$	<hr/> 98,955

(b) Sale of surplus properties and other income:

During 2004, the Company sold four surplus properties located in British Columbia, including two of four phases of the Sawyer's Landing property in Pitt Meadows (former location of its Bay Lumber mill), its former McDonald Cedar mill property in Fort Langley, and a significant component of its former Fraser Mills property in Coquitlam. The Company received net proceeds of \$ 31,772,000 and recorded a net gain of \$13,720,000.

On October 4, 2004, the Company announced that it had reached an agreement to acquire the outstanding shares of Riverside Forest Products Limited ("Riverside"), subject to regulatory and contractual conditions. On October 22, 2004, the Company announced the termination of the previously announced agreement in response to another company's offer to the shareholders of Riverside and Riverside's Special Committee having determined that the other company's offer was superior to the Company's offer.

On October 22, 2004, the Company also terminated the lock-up agreements with certain executive officers of Riverside, who had agreed to tender their shares to the Company's offer. Under the terms of the terminations, the Company received a break fee of \$11,000,000 from Riverside, which was recorded in other income, net of costs.

Sale of surplus properties and other income:

	3 months	3 months	Year	Year
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Break fee, net of costs	\$ 7,000	\$ -	\$ 7,000	\$ -
Gain on disposal of surplus properties	11,386	-	13,720	-
Gain on disposal of other property, plant and equipment	271	(154)	789	1,092
Other	-	-	-	2,206
	<hr/> \$ 18,657	<hr/> \$ (154)	<hr/> \$ 21,509	<hr/> \$ 3,298

5. 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.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months and years ended December 31, 2004 and 2003 (unaudited)

6. Bank indebtedness and long-term debt:

(a) Bank indebtedness:

In the 1st Quarter of 2004, 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 - \$75,000,000), 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 matures on April 28, 2005. As at December 31, 2004, the maximum borrowing available was \$74,299,000 (2003 - \$60,641,000), of which \$69,582,000 (2003 - \$42,200,000) was unused. The line utilization includes outstanding letters of credit of \$4,717,000 (2003 - \$4,047,000).

(b) Long-term debt:

The Company restructured its term financing on September 1, 2004 in order to facilitate the acquisition of the sawmill assets of Crown Pacific Limited Partners and its affiliates. The Canadian revolving term line (the "Revolving Line") was increased to \$90,000,000 from \$75,000,000 and the maturity date was extended to April 27, 2007. On September 1, 2004, to fund the acquisition of Crown Pacific assets, the Company drew US\$31,700,000 (CAD\$41,622,000) on this line and subsequently repaid US\$5,000,000 (CAD\$6,023,000) on December 31, 2004. As at December 31, 2004, the Revolving Line was drawn by US\$26,700,000 and revalued at the month-end exchange rate to CAD\$32,093,000 (2003 - \$nil). The Revolving Line bears interest at rates based on bank prime plus a premium, depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances or Libor based loans.

A new \$US non-revolving term line (the "Non-Revolving Line") was established in the amount of US\$35,000,000 (CAD\$45,955,000) with a maturity date of September 1, 2009. As at December 31, 2004, the line was fully drawn and revalued at the month-end exchange rate to CAD\$42,070,000. The Non-Revolving Line bears interest at rates based on bank prime plus a premium depending upon a financial ratio or, at the Company's option, at rates for Libor based loans.

Both lines are secured and are subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization.

Minimum principal amounts due on long-term debt within the next five years are as follows:

2005	\$	-
2006		-
2007		32,093
2008		-
2009		42,070
	\$	74,163

7. Restructuring costs and write-downs of property, plant and equipment:

In light of poor lumber markets, the continuing U.S. softwood lumber dispute (note 11(a)), the 20% reduction of the Company's timber tenures (note 11(b)), and the continued strength of the Canadian dollar against the U.S. dollar, the Company reduced staff levels and made the decision to permanently close its Specialty Products Division in 2003. Accordingly, the Company recorded \$3,165,000 in write-downs of property, plant and equipment and \$2,960,000 in severance and other related restructuring costs in 2003. These amounts were partially offset by a reversal of previously accrued restructuring costs of \$2,900,000.

In 2004, the Company continued its program of rationalizing operations in anticipation of the imminent timber tenure reductions and to maintain a competitive cost structure. After more than a year of curtailed operations due to poor economic conditions, the Company permanently closed its sawmill in Squamish, effective October 31, 2004. As a result of the closure of the Squamish mill, the Company recorded restructuring costs of \$19,177,000 including plant and equipment writedowns of \$13,820,000 and severance and other costs.

The Company also negotiated the termination of a replaceable logging contract and restructured the labour contract at the Albion remanufacturing facility, which together resulted in additional restructuring costs of \$1,311,000. As a direct consequence of the timber take-back, the Company restructured its Empire and Hope logging divisions which resulted in significant reductions in staff levels and other writedowns in late 2004. The reductions in the timber supply, coupled with the continued strengthening of the Canadian dollar against the U.S. dollar, caused the Company to review its cost structure in the manufacturing divisions and rationalize its operations in manufacturing and marketing. As a result, the Company recorded further restructuring costs of \$5,538,000 for severance and other costs.

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(Tabular amounts expressed in thousands except per share amounts)

Three months and years ended December 31, 2004 and 2003 (unaudited)

7. Restructuring costs and write-downs of property, plant and equipment (continued):

As at December 31, 2004, \$10,397,000 (2003 - \$9,022,000) restructuring costs are included in accounts payable and accrued liabilities. The Company expects to pay this amount in 2005 in accordance with its restructuring plans.

The Government of British Columbia ("Crown") has established the B.C. Forestry Revitalization Trust to mitigate the costs of restructuring workers and contractors who are displaced by the reductions in harvesting rights taken under the Forestry Revitalization Act. The Company will pursue mitigation of certain restructuring costs which it feels it is entitled to under the terms of the Trust, but the amount of any mitigation is not yet determinable.

Restructuring costs and write-downs of property, plant and equipment are as follows:

	3 months Dec. 31, 2004	3 months Dec. 31, 2003	Year Dec. 31, 2004	Year Dec. 31, 2003
Property, plant, equipment and timber write-downs	\$ 851	\$ 3,315	\$ 15,972	\$ 3,165
Severance and other restructuring costs	4,432	1,110	10,054	2,960
Other (recoveries)	-	(2,900)	-	(2,900)
	\$ 5,283	\$ 1,525	\$ 26,026	\$ 3,225

8. 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.

9. Net earnings (loss) per share

	3 months Dec. 31, 2004			3 months Dec. 31, 2003		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	\$ 15,234	48,469	\$ 0.31	\$ (6,915)	48,391	\$ (0.14)
Share options	-	707	-	-	309*	-
Diluted earnings (loss) per share	\$ 15,234	49,176	\$ 0.31	\$ (6,915)	48,391*	\$ (0.14)
	Year Dec. 31, 2004			Year Dec. 31, 2003		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	\$ 24,713	48,422	\$ 0.51	\$ (22,715)	39,456	\$ (0.58)
Share options	-	669	-	-	469*	-
Diluted earnings (loss) per share	\$ 24,713	49,091	\$ 0.50	\$ (22,715)	39,456*	\$ (0.58)

*Where the addition of share options to the total shares outstanding has an anti-dilutive impact on the diluted earnings (loss) per share calculation, those share options have not been included in the total shares outstanding for purposes of the calculation of diluted earnings (loss) per share.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months and years ended December 31, 2004 and 2003 (unaudited)

10. 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 and the Pacific Northwest, U.S.A.

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

	3 months Dec. 31, 2004	3 months Dec. 31, 2003	Year Dec. 31, 2004	Year Dec. 31, 2003
Canada	\$ 67,385	\$ 46,453	\$ 299,616	\$ 234,805
United States	86,402	37,515	269,851	173,675
Japan	37,187	34,912	170,314	151,066
Other export	21,716	16,517	93,699	80,061
	\$ 212,690	\$ 135,397	\$ 833,480	\$ 639,607

Sales by product line are as follows:

	3 months Dec. 31, 2004	3 months Dec. 31, 2003	Year Dec. 31, 2004	Year Dec. 31, 2003
Lumber	\$ 165,645	\$ 102,695	\$ 633,865	\$ 486,404
Logs	29,165	18,396	126,564	90,822
Wood chips and other by products	9,364	5,886	38,351	28,499
Other	8,516	8,420	34,700	33,882
	\$ 212,690	\$ 135,397	\$ 833,480	\$ 639,607

The Company has capital assets, goodwill and other intangible assets located in:

	Dec. 31, 2004	Dec. 31, 2003
Canada	\$ 258,732	\$ 287,975
United States	73,335	7,184
	\$ 332,067	\$ 295,159

11. Contingencies:

(a) U.S. Softwood Lumber dispute:

Effective December 20, 2004, the U.S. Department of Commerce ("USDOC") implemented new deposit rates for shipments made after this date. The USDOC reduced the countervailing duty deposit rate to 17.18% from 18.79% and the all others anti-dumping deposit rate to 3.78% from 8.43%. These new deposit rates are based on the USDOC's final rate determinations for the first Administrative review period (May 22, 2002 to March 31, 2003 for the countervailing duty case and May 22, 2002 to April 30, 2003 for the anti-dumping duty case).

The Company has recorded \$7,301,000 (2003 - \$5,954,000) for the quarter and \$37,483,000 (2003 - \$31,040,000) for the year ended December 31, 2004 in respect of the countervailing and antidumping duties assessed on Canadian softwood lumber exports to the United States. The Company has paid US\$66,776,000 (2003 - US\$48,955,000) in cash deposits since May 22, 2002. These total U.S. deposits translated at the year-end exchange rate equate to \$80,265,000 at December 31, 2004.

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.

The final amount of countervailing and antidumping duties that may be assessed on Canadian softwood lumber exports to the U.S. cannot be determined at this time and will depend on appeals of the final determinations to any reviewing courts, NAFTA or WTO panels. Notwithstanding the final rates established in the investigations, the final liability for the assessment of countervailing and antidumping duties will not be determined until each annual administrative review process is complete, including appeals.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months and years ended December 31, 2004 and 2003 (unaudited)

11. Contingencies (continued):

(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 infrastructure costs.

In December 2004, the Crown issued Ministerial Orders to the Company specifying the timing and the volume of the take-back for replaceable tenures. Approximately 580,000 cubic metres of the Company's existing allowable annual cut on their replaceable tenures will be taken by December 31, 2005. Discussions continue to determine the specifics of the timber licence takings. The Company is currently in negotiation with the Crown for compensation for timber volumes taken and related infrastructure which it feels it is entitled to under the terms of the *Forest Revitalization Act*, but the amount and timing of any compensation is not yet determinable. The Company will record the compensation at the time the amounts to be recorded can be estimated.

(c) Surety Performance Bonds

The Company has obtained \$4,521,000 in surety performance bonds issued to the U.S. Department of Agriculture in respect of completion of obligations under various timber sale agreements. The expiry date of these bonds range from October 2005 through January 2006.

(d) Sale of surplus property

The Company has entered into an agreement to sell the remaining property at its former Fraser Mill site in Coquitlam, British Columbia for \$3,750,000 contingent upon delivery of an unconditional certificate of compliance after all environmental and site cleanup has been completed. The Company has the right to continue use of the property under a sale leaseback arrangement with a lease expiry of 2009. The disposal of the property will be recorded upon completion of the sale.

(e) Commitment to acquire equity investee:

The majority shareholders of an investee company have exercised their option under a shareholders' agreement to put their shares to the Company. The transaction is expected to close in mid-2005. The amount to be paid for the shares is to be determined early in 2005 and is dependent upon appraised values of assets and a formula related to shareholders' equity. As such, the amount to be paid is estimated to range from \$8,000,000 to \$10,000,000 at this time.

12. 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 December 31, 2004, the Company has outstanding obligations to sell a maximum of US\$17,000,000 at an average rate of CAD\$1.2120 and Japanese ¥240,000,000 at an average rate of ¥85.87 to the CAD\$1.00 during 2005. All foreign currency gains or losses to December 31, 2004 have been recognized in the statement of operations.

There were no interest rate swaps outstanding as at December 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 December 31, 2004, the company received cash proceeds of \$25,000,000 (2003 - \$10,000,000), from the sale of receivables.

SELECTED STATISTICS

	Three Months Ended		Year Ended	
	December 31		December 31	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Lumber volume (MMfbm)				
- Sales	272	138	894	632
- Production ⁽¹⁾	246	134	901	637
Log Volume (000 m ³)				
- Production	573	593	2,964	1,922
Prices (\$/Mfbm)				
- Lumber ⁽²⁾	547	634	630	662
- Pulp Chips	24	36	34	37
Shares Outstanding (million)				
- Total at period end ⁽³⁾	48.6	48.4	48.6	48.4
- Weighted average	48.5	48.4	48.4	39.5

⁽¹⁾ excluding volumes custom cut for third parties

⁽²⁾ FAS basis, net of duty

⁽³⁾ as of January 25, 2005 the number of shares outstanding by class were as follows:

Class A	47.6
Class B	<u>1.0</u>
Total	<u>48.6</u>

There will be a conference call on Thursday, January 27, 2005 at 8:00 AM (Pacific Standard Time) hosted by **INTERNATIONAL FOREST PRODUCTS LIMITED** for the purpose of reviewing the Company's release of its Fourth Quarter 2004 Financial Results. The dial-in number is **1-800-660-7963**.

The conference call will also be recorded for those unable to join in for the live discussion. The number to call is **1-800-558-5253 Reservation 21228764#** and will be available until Feb. 10, 2005.

William L. Sauder
Chairman

Duncan K. Davies
President and C.E.O.

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Vice President and
Corporate Secretary
(604) 689-6804