



PRESS RELEASE

International Forest Products Limited

Vancouver, B.C.

January 26, 2006

Restructuring Initiative Impacts Interfor's Results in Q4

Excluding one-time items, earnings total \$600,000 or \$0.01 per share; \$31.5 million capital investment approved for Interior operations

OPERATING RESULTS

International Forest Products Limited ("Interfor" or the "Company") (TSX: IFP.SV.A) recorded a net loss of \$4.9 million or \$0.10 per share in the 4th Quarter of 2005 compared to net earnings of \$4.7 million or \$0.10 in the 3rd Quarter and net earnings of \$15.2 million or \$0.31 per share in the 4th Quarter of 2004. For the year, Interfor recorded net earnings of \$19.7 million or \$0.41 per share compared to net earnings of \$24.7 million or \$0.51 per share in 2004.

Excluding one-time items, Interfor earned \$600,000 or \$0.01 per share in the 4th Quarter in spite of the losses at its' Queensboro sawmill and certain non-core assets which, together, amounted to \$2.6 million after tax or \$0.05 per share in the quarter. For the year, the loss attributable to these and other assets disposed of during the year amounted to \$6.8 million or \$0.14 per share.

During the 4th Quarter Interfor made significant progress on its plan to focus on its core manufacturing business, including:

- the sale of TFL 38;
- the sale of additional surplus properties and equipment;
- compensation for the loss of subcontractor harvesting rights under the Province of B.C.'s Forest Revitalization Plan;
- the permanent closure of the Marysville sawmill;
- the permanent closure of Fraser Reman;
- the payment of voluntary severance to employees of Field sawmill; and
- the sale by Seaboard Shipping Company Limited of the MV Skauboard.

While these initiatives generated cash receipts of more than \$30 million net of severance, a book loss of \$5.4 million after tax or \$0.11 per share was recorded in the 4th Quarter to reflect the costs incurred and to adjust asset carrying values accordingly.

In the 4th Quarter benchmark SPF 2X4 prices were flat at \$327 per thousand board feet while cedar and Japan grades firmed slightly. At the same time, the Canadian dollar increased in value from US\$0.83 to US\$0.85, putting downward pressure on net sales prices. Overall, sales prices decreased by \$11 per thousand board feet or 2% in the 4th Quarter compared to the immediately preceding quarter, and were \$64 per thousand board feet or 12% less than the 4th Quarter of 2004. The drop in sales prices in the 4th Quarter was more than offset by lower operating costs and selling and administration expenses.

Lumber shipments increased to 333 million board feet in the 4th Quarter from 308 million board feet in the 3rd Quarter and 272 million board feet in the 4th Quarter of 2004. For the year, shipments totalled 1.16 billion board feet compared to 894 million board feet in 2004.

Sales revenue in the 4th Quarter amounted to \$215 million compared to \$214 million in the 3rd Quarter and \$213 million in the 4th Quarter of 2004. For the year, sales revenue was \$835 million compared to \$833 million in the previous year.

EBITDA excluding other income was \$16.3 million in the 4th Quarter compared to \$13.8 million in the 3rd Quarter and \$15.0 million in the 4th Quarter of 2004. For the year, EBITDA excluding other income was \$74.7 million compared to \$88.0 million in 2004.

In spite of the losses at Queensboro, the Company's Coastal group was marginally profitable in the 4th Quarter. Higher shipments and lower costs contributed to a 50% improvement in performance at the Company's Interior operations, while higher operating costs primarily associated with weather project-related production disruptions resulted in a 17% reduction in earnings at the Company's U.S. operations.

During the 4th Quarter Interfor paid \$7.4 million (\$4.9 million after tax or \$0.10 per share) in deposits for countervailing and anti-dumping duties on lumber shipments of 106 million board feet from Canada to the U.S. At the end of the 4th Quarter Interfor had paid total deposits of US\$92.6 million (CAD\$107.6 million utilizing December 31, 2005 exchange rates) since the deposit requirement came into effect in May 2002.

CASH FLOW AND BALANCE SHEET

After accounting for \$10.0 million in severance payments, Interfor generated \$16.7 million in cash from operations after working capital changes were considered in the 4th Quarter. In addition, Interfor received a cash advance of \$26.6 million from Seaboard and \$9.3 million from the sale of surplus land and equipment. Following year-end, the Seaboard Partnership declared an income distribution to its partners which was paid to the Company (and to other Seaboard partners) by way of a setoff against the advances made by Seaboard during the year.

Capital spending in the 4th Quarter amounted to \$15.2 million including \$4.0 million on roads, \$4.4 million on maintenance of business projects, \$6.3 million on discretionary projects and \$0.5 million on land development. There were no start-up costs associated with the Queensboro project deferred in the 4th Quarter.

Interfor's net debt (excluding the advance from Seaboard) dropped to \$29.7 million at the end of the 4th Quarter from \$66.7 million at the end of the 3rd Quarter, representing a ratio of net debt to invested capital of 7.1% compared to 14.5% at the end of the 3rd Quarter. At the end of the 4th Quarter of 2004, Interfor had net debt of \$55.9 million representing a ratio of net debt to invested capital of 13.0%.

OUTLOOK

The price of structural lumber in the U.S. market started the year off strongly but has since dropped back to a range of \$335 to \$340 per thousand board feet. Prices for cedar products and Japanese structural items remain firm.

The Queensboro sawmill resumed operation on January 17th on a new operating plan which the Company believes will result in improved operating and financial performance. Over the next three to six months the

mill will conduct additional trials to confirm equipment performance and to determine the most appropriate operating configuration moving forward. The balance of the Company's sawmills will operate on a normal schedule in the 1st Quarter.

During the 1st Quarter Interfor will continue its efforts to streamline its Coastal Group in order to improve operating performance. The Company will also address the future of a number of assets which do not fit the Company's long-term strategy and pursue the sale of additional surplus property and equipment.

As part of its 2006 capital plan Interfor intends to proceed with a \$31.5 million capital investment at its Interior operation to upgrade the mill site and certain equipment and to install a wood waste energy system. These projects will reduce the mill's dependence on natural gas – which is currently trucked to the site – and position the operation for future expansion.

At the same time, the Company will continue to look for growth opportunities in regions and products with attractive fundamentals.

SHARE BUY-BACK PROGRAM

On November 7, 2005, Interfor's application to undertake a Normal Course Issuer Bid to purchase up to 2,384,000 or 5% of the Company's outstanding Class A shares received regulatory approval. During the quarter, Interfor purchased a total of 39,100 shares at an average cost of \$6.55. These shares were cancelled on purchase.

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

In this Press Release reference is made to EBITDA and EBITDA excluding Other Income. EBITDA represents earnings before interest, taxes, depletion, amortization and restructuring costs and write-downs of plant and equipment. EBITDA excluding Other Income represents EBITDA less other income. The Company discloses EBITDA as it is a measure used by analysts and Interfor's management 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.

ABOUT INTERFOR

Interfor is one of the Pacific Northwest's largest producers of quality wood products. The Company has operations in British Columbia, Washington and Oregon, including five sawmills in the Coastal region of British Columbia, one in the B.C. Interior, one in Washington and two in Oregon. In addition, Interfor

operates value-added remanufacturing and specialty products facilities in B.C. and Washington.

Additional information relating to the Company and its operations, including Interfor's Annual Statutory Information for 2004, can be found on its website at www.interfor.com and or on SEDAR at www.sedar.com.

SELECTED STATISTICS

	Three Months Ended		Year Ended	
	December 31		December 31	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Lumber volume (MMfbm)				
- Sales	333	272	1,161	894
- Production ⁽¹⁾	316	246	1,143	901
Log Volume (000 m ³)				
- Production	634	573	2,558	2,964
Prices (\$/Mfbm)				
- Lumber ⁽²⁾	483	547	525	630
- Pulp Chips	24	33	26	37
Shares Outstanding (millions)				
- Total at period end ⁽³⁾	48.7	48.6	48.7	48.6
- Weighted average	48.7	48.5	48.7	48.4

⁽¹⁾ excluding volumes custom cut for third parties

⁽²⁾ FAS basis, net of duty

⁽³⁾ as of January 25, 2006 the number of shares outstanding by class are as follows:

Class A	Class B	Total
47,662,016	1,015,779	48,677,795

There will be a conference call on Friday, January 27, 2006 at 8:00 AM (Pacific Time) hosted by **INTERNATIONAL FOREST PRODUCTS LIMITED** for the purpose of reviewing the Company's release of its Fourth Quarter 2005 Financial Results. The dial-in number is **1-800-470-5906**.

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 21281540#** and will be available until February 10, 2006.

William L. Sauder
Chairman

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

Contact: Gerald J. Friesen
Vice President and Corporate Secretary
(604) 689-6804



CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months and years ended December 31, 2005 and 2004 (unaudited)

(thousands of Canadian dollars except earnings per share)

	3 Months Dec. 31, 2005	3 Months Dec. 31, 2004	Year Dec. 31, 2005	Year Dec. 31, 2004
Sales	\$ 214,664	\$ 212,690	\$ 835,234	\$ 833,480
Costs and expenses:				
Production	186,666	188,592	715,524	695,443
Selling and administration	4,003	5,442	19,145	19,589
Long term incentive compensation	1,703	(1,966)	2,509	1,880
U.S. countervailing and antidumping duty deposits (note 11(a))	7,437	7,301	30,358	37,483
Amortization of plant and equipment	8,343	6,769	28,270	23,226
Depletion and amortization of timber, roads and other	7,108	6,537	29,185	32,026
	215,260	212,675	824,991	809,647
Operating earnings (loss) before restructuring costs and write-downs of property, plant and equipment and timber	(596)	15	10,243	23,833
Restructuring costs and write-downs of property, plant and equipment and timber (note 8)	14,097	5,283	41,694	26,026
Operating loss	(14,693)	(5,268)	(31,451)	(2,193)
Interest expense on long-term debt	(990)	(823)	(3,609)	(1,498)
Other interest expense	(321)	(420)	(1,065)	(1,661)
Other income (note 7)	3,465	18,657	41,595	21,509
Equity in earnings of investee companies	1,411	1,678	7,037	8,936
	3,565	19,092	43,958	27,286
Earnings (loss) before income taxes	(11,128)	13,824	12,507	25,093
Income taxes (recovery):				
Current	(1,394)	1,493	2,306	3,593
Future	(4,874)	(2,903)	(9,524)	(3,213)
	(6,268)	(1,410)	(7,218)	380
Net earnings (loss)	\$ (4,860)	\$ 15,234	\$ 19,725	\$ 24,713
Net earnings (loss) per share (note 9)				
Basic	\$ (0.10)	\$ 0.31	\$ 0.41	\$ 0.51
Diluted	\$ (0.10)	\$ 0.31	\$ 0.40	\$ 0.50

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31, 2005 and 2004 (unaudited)

(thousands of Canadian dollars)

	Year Dec. 31, 2005	Year Dec. 31, 2004
Retained earnings, beginning of year	\$ 66,218	\$ 41,505
Net earnings	19,725	24,713
Retained earnings, end of year	\$ 85,943	\$ 66,218

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months and years ended December 31, 2005 and 2004 (unaudited)

(thousands of Canadian dollars)

	3 Months Dec. 31, 2005	3 Months Dec. 31, 2004	Year Dec. 31, 2005	Year Dec. 31, 2004
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	\$ (4,860)	\$ 15,234	\$ 19,725	\$ 24,713
Items not involving cash:				
Amortization of plant and equipment	8,343	6,769	28,270	23,226
Depletion and amortization of timber, roads and other	7,108	6,537	29,185	32,026
Future income taxes	(4,874)	(2,903)	(9,524)	(3,213)
Reforestation liability	(2,294)	(1,523)	(1,740)	812
Other long-term liabilities	(127)	(2,495)	(2,197)	(3,996)
Equity in earnings of investee companies	(1,411)	(1,678)	(7,037)	(8,936)
Writedown of property, plant and equipment and timber (note 8)	3,749	851	34,026	15,972
Other	(4,315)	(11,657)	(42,729)	(14,509)
	1,319	9,135	47,979	66,095
Cash generated from (used in) operating working capital:				
Accounts receivable	15,344	15,290	8,591	(9,445)
Inventories	1,199	37,846	16,147	(1,552)
Prepaid expenses	4,494	1,129	3,917	(508)
Accounts payable and accrued liabilities	(3,840)	(21,823)	(4,230)	16,395
Income taxes	(1,769)	(1,049)	(1,119)	221
	16,747	40,528	71,285	71,206
Investing activities:				
Additions to property, plant and equipment	(11,163)	(13,351)	(53,727)	(28,690)
Additions to logging roads and timber	(4,016)	(6,600)	(20,136)	(28,940)
Additions to deferred start-up costs (note 1(b))	-	-	(3,215)	-
Proceeds on disposal of property, plant and equipment	9,338	26,824	47,770	33,003
Acquisitions (note 3)	-	-	(79,905)	(98,955)
Cash received on acquisition of subsidiary (note 3)	-	-	2,650	-
Investments and other assets	(349)	(1,322)	5,068	2,322
	(6,190)	5,551	(101,495)	(121,260)
Financing activities:				
Issuance of share capital	57	1,038	344	1,119
Repurchase of share capital	(257)	-	(257)	-
Increase (decrease) in bank indebtedness	8,053	(21,933)	8,053	(12,951)
Funds from promissory note and advance from investee company (notes 5 and 15)	26,597	-	54,354	-
Additions to long-term debt (note 6(b))	17,373	-	48,778	87,577
Repayments of long-term debt (note 6(b))	(46,378)	(6,023)	(79,288)	(6,023)
	5,445	(26,918)	31,984	69,722
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency:	(12)	(902)	(972)	(1,409)
Increase in cash	15,990	18,259	802	18,259
Cash on deposit, beginning of period	3,071	-	18,259	-
Cash on deposit, end of period	\$ 19,061	\$ 18,259	\$ 19,061	\$ 18,259

See accompanying notes to consolidated financial statements



CONSOLIDATED BALANCE SHEETS

December 31, 2005 (unaudited) and December 31, 2004 (audited)

(thousands of Canadian dollars)

	Dec. 31, 2005	Dec. 31, 2004
Assets		
Current assets:		
Cash	\$ 19,061	\$ 18,259
Accounts receivable (note 13(b))	37,911	42,228
Income taxes receivable	625	-
Inventories	102,960	108,763
Prepaid expenses	6,439	10,231
Future income taxes	6,659	7,281
	173,655	186,762
Investments and other assets:		
Investments and advances	62,370	47,236
Deferred financing fee, net of accumulated amortization	377	509
	62,747	47,745
Property, plant and equipment, net of accumulated amortization (note 1(b))	289,227	235,449
Timber and logging roads, net of accumulated depletion and amortization	52,375	82,556
Goodwill and other intangible assets	15,694	14,062
Future income taxes	3,980	223
	\$ 597,678	\$ 566,797
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 6(a))	\$ 8,053	\$ -
Accounts payable and accrued liabilities	82,685	85,802
Income taxes payable	-	579
Payable to investee company (note 5 and 15)	54,354	-
Future income taxes	351	-
	145,443	86,381
Reforestation liability, net of current portion	15,242	16,982
Long-term debt (note 6(b))	40,705	74,163
Other long-term liabilities	6,667	9,968
Future income taxes	3,100	6,555
Shareholders' equity:		
Share capital:		
Class A subordinate voting shares (note 14)	294,683	294,581
Class B common shares	4,080	4,080
Contributed surplus	8,186	8,201
Cumulative translation adjustment	(6,371)	(332)
Retained earnings	85,943	66,218
	386,521	372,748
	\$ 597,678	\$ 566,797

Contingencies (note 11)

Subsequent event (note 15)

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 and twelve months ended December 31, 2005 and 2004 (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, 2004 except for the new accounting policy adopted subsequent to that date and the disclosure of an existing policy that is now significant, as detailed below.

(a) Variable interest entities:

Effective January 1, 2005, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, *Consolidation of Variable Interest Entities* on a prospective basis. The guideline prescribes the application of consolidation principles for entities that meet the definition of a variable interest entity ("VIE"). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. The adoption of this new standard had no effect on the consolidated financial statements as the Company does not have any VIEs.

(b) Deferred start-up costs:

The Company has a historical accounting policy of deferring start-up costs on major plant construction to the extent these costs meet the criteria under CICA Emerging Issues Communication 27. During the 2nd Quarter, the Company completed major plant construction on its Queensboro mill and applied this accounting policy in the second and third quarters for start-up costs incurred. The Company deferred start-up costs until the mill reached sustainable production levels which had been defined as the earlier of:

- (i) Seventy percent of production capacity for two consecutive months; or
 - (ii) Six months
- and to a maximum of 20% of the total project cost.

Start-up costs totalling \$5,000,000 were deferred in 2005 and are being amortized over five years on a straight-line basis starting in the 4th Quarter. These costs are included on the balance sheet in property, plant and equipment.

2. Comparative figures:

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

3. Acquisitions:

On May 31, 2005, the Company acquired the sawmill assets and inventory of Floragon Forest Products Molalla Inc. and Floragon Manufacturing LLC (together, "Floragon"), a sawmill in the U.S. Pacific Northwest for US\$55,363,000. In addition, the vendors may qualify for an incentive payment based on the financial performance of the Floragon operation in the 12 months following the closing. To acquire these assets, the Company paid CAD\$69,546,000, of which \$31,405,000 was financed through the existing Revolving Line, \$6,281,000 was financed through an operating line of credit with a U.S. bank, and the balance through cash on hand. Any further consideration that may be payable as a result of the incentive payment represents contingent consideration which will be recorded when the outcome is likely and the amount reasonably determinable.

In late 2004, the majority shareholders of an investee company exercised their option under a shareholders' agreement to put their shares to the Company. Consequently, effective May 31, 2005, Interfor acquired the remaining 51% of the common shares of Mapri Developments Ltd. ("Mapri"), in which the Company previously held a 49% interest. The consideration paid for the acquisition totaled \$10,359,000 and was funded through cash on hand.

These acquisitions have been accounted for using the purchase method and the purchase price is allocated as follows:

Net assets acquired:	
Cash	\$ 2,650
Other current assets	9,092
Property, plant and equipment	70,857
	<u>82,599</u>
Liabilities assumed:	
Current liabilities	664
Future income taxes	2,030
	<u>2,694</u>
	<u>\$ 79,905</u>
Consideration funded out of:	
Cash on hand	\$ 42,219
Operating Lines	6,281
Revolving Line	31,405
	<u>\$ 79,905</u>

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three and twelve months ended December 31, 2005 and 2004 (unaudited)

4. Seasonality of operating results:

The Company operates in the solid wood business which includes logging and manufacturing operations. Logging activities vary throughout the year 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. Manufacturing operations are less seasonal than logging operations but do depend on the availability of logs from the logging operations and from third party suppliers. 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. Payable to investee company:

On April 21, 2005, the Seaboard Limited Partnership ("the Seaboard Partnership"), made an advance to its partners, with Interfor's share of the advance being \$27,757,000. The Company signed an unsecured promissory note which is payable on demand on or before January 31, 2006 and is non-interest bearing until January 31, 2006 and bears interest at the rate of 5% per annum thereafter.

On December 29, 2005, the Seaboard Partnership provided a second advance to its partners, with Interfor's share of this advance being \$26,597,000. The advance is payable on demand and is non-interest bearing.

These advances were subsequently repaid (see Subsequent events, note 15).

6. Bank indebtedness and long-term debt:

(a) Bank indebtedness:

	Canadian Operating Facility	Mapri Developments	U.S. Operating Facility	Total
2005				
Available line of credit	\$ 75,000	\$ 4,000	\$ 17,445	\$ 96,445
Maximum borrowing available	58,739	2,972	17,445	79,156
Unused portion of line	53,820	2,747	10,281	66,848
Outstanding letters of credit included in line utilization	4,306	-	186	4,492
2004				
Available line of credit	\$ 75,000	\$ -	\$ -	\$ 75,000
Maximum borrowing available	74,299	-	-	74,299
Unused portion of line	69,582	-	-	69,582
Outstanding letters of credit included in line utilization	4,717	-	-	4,717

In the 1st Quarter of 2005, the Company secured a new operating line of credit with a U.S. bank in the amount of US\$15,000,000. The line is subject to a borrowing base calculation dependent upon certain accounts receivable and inventories of the Company's subsidiary, Interfor Pacific Inc. As at December 31, 2005, the maximum borrowing available was US\$15,000,000, of which US\$8,840,000 was unused. The line utilization includes outstanding letters of credit of US\$160,000. The loan bears interest at U.S. bank prime or, at the Company's option, at LIBOR plus 1½%. The line of credit is secured by the accounts receivables and inventories of Interfor Pacific Inc. and is subject to certain financial covenants including a maximum ratio of total debt to total capitalization. The line matures on March 1, 2006.

On acquisition of Mapri on May 31, 2005, the Company renewed Mapri's existing revolving line of credit of \$4,000,000. This demand line bears interest at bank prime plus ¼%, is secured by a general charge over all assets of Mapri and a specific charge against the inventories of B.W. Creative Wood Industries Ltd., a wholly-owned subsidiary of Mapri. The line is subject to a borrowing base calculation dependent upon certain accounts receivable and inventories and matures on August 1, 2006.

In the 2nd Quarter of 2005, the Company renewed its existing Canadian operating line of credit. The terms and conditions of the line remain unchanged, with a maximum operating line of credit totalling \$75,000,000 (2004 - \$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 27, 2006.

(b) Long-term debt:

The Revolving Line of \$90,000,000 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 and matures on April 27, 2007. By April 30, 2005, the Company had repaid US\$26,700,000 (CAD\$32,910,000) on its Canadian revolving term line (the "Revolving Line") to eliminate the outstanding balance at December 31, 2004.

On May 31, 2005, the Company drew US\$25,000,000 on its Revolving Line in order to facilitate the acquisition of the sawmill assets of Floragon. In late December 2005 a further US\$15,000,000 was drawn, but by December 31, 2005, all amounts drawn under the Revolving Line had been fully repaid to eliminate the outstanding balance (2004 - US\$26,700,000).

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three and twelve months ended December 31, 2005 and 2004 (unaudited)

6. Bank indebtedness and long-term debt (continued):

(b) Long-term debt (continued):

As at December 31, 2005, the \$US non-revolving term line (the "Non-Revolving Line") remains fully drawn at US\$35,000,000 (2004 - US\$35,000,000) and revalued at the month-end exchange rate to CAD\$40,705,000 (2004 - CAD\$45,955,000). 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 and matures on September 1, 2009.

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:

2006	\$	-
2007		-
2008		-
2009		40,705
2010		-
	\$	40,705

7. Other income:

	3 Months Dec. 31, 2005	3 Months Dec. 31, 2004	Year Dec. 31, 2005	Year Dec. 31, 2004
Gain on settlement of timber takeback	\$ -	\$ -	\$ 6,373	\$ -
Gain (loss) on disposal of investments, surplus property, plant and equipment	(918)	11,657	11,639	14,509
Equity income participation in gain on sale of surplus assets sold by Seaboard	4,082	-	23,583	-
Break, fee net of costs	-	7,000	-	7,000
Other income (expense)	301	-	-	-
	\$ 3,465	\$ 18,657	\$ 41,595	\$ 21,509

Under the terms of the *Forest Revitalization Act*, the Company received \$23,260,000 in compensation for the loss of logging and subcontractor harvesting rights on the B.C. Coast, including \$18,760,000 related to the 20% reduction in harvest volumes and a \$4,500,000 advance payment against lost infrastructure and road construction costs. \$1,300,000 was recorded as a recovery of production costs and \$20,811,000 was recorded as proceeds on the disposal of timber and roads and resulted in a net gain on settlement of timber takeback of \$6,373,000 in the 1st Quarter. A further \$1,149,000 was recorded as recovery of production costs in the 4th Quarter.

On April 21, 2005, Seaboard Shipping Company Limited ("Seaboard"), in which the Company holds an equity interest, sold its 50% interest in Western Stevedoring Limited, of which the Company's participation of the net after-tax gain on the sale totaled \$19,501,000, and was recorded in the 2nd Quarter. In December 2005, Seaboard sold its interest in its vessel, the MV Skauboard. The Company's share of the after-tax gain on the sale of this asset was \$4,082,000 which was recorded in the 4th Quarter.

On July 25, 2005, the Company completed the sale of surplus property located in Squamish, British Columbia (former location of its Squamish Lumber mill). The Company recorded sale proceeds of \$12,975,000 and an after-tax gain of approximately \$7,700,000 million in the 3rd Quarter of 2005. In December 2005, additional surplus capital assets and investments were disposed of, including the Company's interest in Tree Farm Licence 38, located northwest of Squamish, and the final two phases of four phases of the Sawyer's Landing property in Pitt Meadows (former location of its Bay Lumber mill), resulting in a loss of \$918,000 in the 4th Quarter.

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

	3 Months Dec. 31, 2005	3 Months Dec. 31, 2004	Year Dec. 31, 2005	Year Dec. 31, 2004
Property, plant, equipment and timber write-downs	\$ 3,749	\$ 851	\$ 34,026	\$ 15,972
Severance and other restructuring costs, net of recoveries	10,348	4,432	7,668	10,054
	\$ 14,097	\$ 5,283	\$ 41,694	\$ 26,026

As a result of the proceeds received on the timber takeback, the Company re-evaluated the carrying value of its remaining timber and recorded an impairment charge of \$2,270,000 in the 1st Quarter to reduce its carrying value. This was offset by a recovery of \$2,270,000 relating to forestry liabilities previously expensed to restructuring. In the 2nd Quarter, following an extensive evaluation of its operations, the Company identified certain B.C. coastal assets which it did not consider to be part of its future core operations and reviewed the valuation of these non-core assets. An impairment charge of \$28,007,000 was recorded to reduce the carrying values of these assets to estimated fair values, and a further \$3,749,000 was recorded in the 4th Quarter.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three and twelve months ended December 31, 2005 and 2004 (unaudited)

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

During the second quarter, the Company also received \$1,546,000 from the B.C. Forestry Revitalization Trust set up by the Government of British Columbia, as reimbursement for severance costs of workers who were displaced by the reductions in harvesting rights taken under the Forestry Revitalization Act. The associated costs had been expensed in prior years as restructuring costs. Interfor also recorded additional severances for hourly woodlands employees of \$4,196,000 which were fully recovered from the B.C. Forestry Revitalization Trust. The recovery was recorded as an offset to the severance costs in restructuring. The Company continues to pursue mitigation of certain restructuring costs which it feels it is entitled to under the terms of the Trust, but the amount of any additional mitigation is not yet determinable and will be recorded when received.

In the third quarter, the Company recorded a further \$1,136,000 in severance and other costs and an additional \$10,348,000 in the 4th Quarter as it continued implementation of its strategic plans for non-core assets.

9. Net earnings (loss) per share:

	3 months Dec. 31, 2005			3 months Dec. 31, 2004		
	Net earnings	Shares	Per share	Net earnings	Shares	Per share
Basic earnings (loss) per share	\$ (4,860)	48,692	\$ (0.10)	\$ 15,234	48,469	\$ 0.31
Share options	-	581*	-	-	707	-
Diluted earnings (loss) per share	\$ (4,860)	48,692	\$ (0.10)	\$ 15,234	49,176	\$ 0.31
	Year Dec. 31, 2005			Year Dec. 31, 2004		
	Net earnings	Shares	Per share	Net earnings	Shares	Per share
Basic earnings per share	\$ 19,725	48,680	\$ 0.41	\$ 24,713	48,422	\$ 0.51
Share options	-	602	-	-	669	-
Diluted earnings per share	\$ 19,725	49,282	\$ 0.40	\$ 24,713	49,091	\$ 0.50

*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.

10. Segmented information:

The Company manages its business as a single operating segment, solid wood. The Company purchases and harvests logs which are 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	3 Months	Year	Year
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Canada	\$ 56,200	\$ 67,385	\$ 229,680	\$ 299,616
United States	126,257	86,402	455,660	269,851
Japan	13,201	37,187	75,026	170,314
Other export	19,006	21,716	74,868	93,699
	\$ 214,664	\$ 212,690	\$ 835,234	\$ 833,480

Sales by product line are as follows:

	3 Months	3 Months	Year	Year
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Lumber	\$ 171,359	\$ 165,645	\$ 661,483	\$ 633,865
Logs	23,268	29,165	97,758	126,564
Wood chips and other by products	8,572	9,364	34,118	38,351
Other	11,465	8,516	41,875	34,700
	\$ 214,664	\$ 212,690	\$ 835,234	\$ 833,480

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three and twelve months ended December 31, 2005 and 2004 (unaudited)

10. Segmented information (continued):

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

	Dec. 31, 2005	Dec. 31, 2004
Canada	\$ 214,211	\$ 258,732
United States	143,085	73,335
	\$ 357,296	\$ 332,067

11. Contingencies:

(a) U.S. Softwood Lumber dispute:

The softwood lumber trade discussions and legal actions between the Government of Canada, the provincial governments and the U.S. Government are continuing. On August 31, 2004, a North American Free Trade Agreement ("NAFTA") Panel reaffirmed its prior rulings that the U.S. International Trade Commission ("ITC") had not demonstrated that the U.S. softwood lumber industry is threatened with material injury by reason of Canadian imports and remanded this determination back to the ITC to make a new determination consistent with the Panel's decision, which the ITC did on September 10, 2004, under protest. On October 12, 2004, the NAFTA panel issued an order affirming the negative determination of the ITC. The U.S. administration filed an appeal of the NAFTA injury decision to an Extraordinary Challenge Committee ("ECC"). On August 10, 2005 the ECC unanimously dismissed the U.S. Extraordinary Challenge in its entirety. The ECC upheld the NAFTA Panel decisions overturning the ITC rulings that Canadian softwood lumber imports threatened to injure the U.S. industry. The determination by the ECC could result in the termination of the duty cases and the refund of duties, with interest. However, the U.S. Coalition for Fair Lumber Imports announced plans to initiate a constitutional challenge of the entire NAFTA dispute settlement system as a result of the ECC ruling. In addition, the U.S. administration takes the position that an ITC decision, issued on November 24, 2004, to bring the U.S. into compliance with an earlier adverse WTO decision, supersedes the September 10, 2004, ITC decision, thereby mooted the NAFTA appeals and ECC decision. The Government of Canada and other Canadian parties have appealed the U.S. position (that the November 24, 2004 decision supersedes the September 10, 2004 decision) to the U.S. Court of International Trade.

On October 5, 2005 the NAFTA Panel on CVD issued its decision on the USDOC's fourth remand determination which had resulted in a calculated CVD rate of 1.21 percent. In a unanimous decision for Canada, the NAFTA Panel overturned the USDOC's last decision. The USDOC was ordered to comply with the remand and on November 22, 2005 the USDOC issued a de minimis finding which should mean that the CVD duty must be revoked entirely. Both sides appealed to the Panel (the Canadian side for a declaration that the CVD case must be terminated and all CVD deposits refunded). A decision is expected in early 2006 which can be appealed to an ECC. The deadline for making an Extraordinary Challenge will be 31 days after a Notice of Final Panel Action.

Effective December 20, 2004, the USDOC implemented new deposit rates 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 antidumping duty case). The USDOC reduced the countervailing duty deposit rate to 17.18% from 18.79% and reduced the all others antidumping deposit rate to 4.03% from 8.43%. These rates were subsequently amended by the USDOC on January 24, 2005 (antidumping deposit rate was reduced to 3.78%) and February 24, 2005 (countervailing duty deposit rate was reduced to 16.37%).

On November 23, 2005 Interfor was selected by the USDOC as a respondent under the Third Antidumping Duty Administrative Review. This review is expected to be completed in late 2006 at which time Interfor will be assigned a Company-specific antidumping rate for the review period May 1, 2004 to April 30, 2005. This rate will also remain effective as a deposit rate for the Company until the release of the results of the Fourth Administrative Review in late 2007.

Effective December 12, 2005, the USDOC implemented new deposit rates based on the USDOC's final rate determinations for the Second Administrative Review period (April 1, 2003 to March 31, 2004 for the countervailing duty case; and May 1, 2003 to April 30, 2004 for the antidumping duty case). The USDOC reduced the countervailing duty deposit rate to 8.70% from 16.37% and reduced the all others antidumping deposit rate to 2.11% from 3.78%. The antidumping rate was subsequently amended by the USDOC effective January 23, 2006, reducing the rate to 2.10%. At the date of this report the Company's combined deposit rate is 10.80%.

The Company has expensed \$7,437,000 (2004 - \$7,301,000) for the quarter and \$30,358,000 (2004 - \$37,483,000) for the year ended December 31, 2005 in respect of the countervailing and antidumping duties assessed on Canadian softwood lumber exports to the United States. The Company has paid US\$92,556,000 (2004 - US\$66,776,000) in cash deposits since May 22, 2002. These total U.S. deposits translated at the year-end exchange rate equate to \$107,643,000 at December 31, 2005.

The Company and other Canadian forest product companies, the Federal Government and Canadian provincial governments ("Canadian Interests") categorically deny the U.S. allegations and strongly disagree with the final countervailing and antidumping determinations made by the USITC and USDOC. 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 and twelve months ended December 31, 2005 and 2004 (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 344,000 cubic metres of the Company's existing allowable annual cut on their replaceable tenures was taken in December 2004, and the balance of 235,000 cubic metres will be taken by December 31, 2005, for a total of 579,000 cubic metres. In addition, 20% of the Company's non-replaceable timber licences will also be reduced.

On March 28, 2005 the Company concluded a comprehensive agreement with the Province of British Columbia to compensate the Company for loss of forest tenure through the government's timber reallocation program. The Company received \$22,111,000 in compensation for the loss of logging rights on the B.C. Coast, including \$17,611,000 related to the 20% reduction in harvest volumes and a \$4,500,000 advance payment against lost infrastructure and road construction costs. On December 15, 2005, the Company concluded a second agreement in relation to compensation from the B.C. Forestry Revitalization Trust as consideration for the loss of subcontractor harvesting rights on the B.C. Coast in the amount of \$1,149,000.

The Company is continuing its negotiation with the Crown for further compensation for infrastructure, but the amount and timing of additional compensation is not yet determinable. The Company will record any other compensation at the time the amounts to be recorded can be estimated.

12. Employee future benefits:

The total benefits cost under its various pension plans (described in the Company's audited annual consolidated financial statements) as follows:

	3 Months	3 Months	Year	Year
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Defined contribution plan	\$ 359	\$ 429	\$ 1,673	\$ 1,825
Defined benefit plan	(377)	167	11	637
Unionized employees' pension plan	1,033	838	4,489	4,703
U.S. employees benefit plan	176	307	599	307
Senior management supplementary pension plan	157	26	433	105
Total pension expense	\$ 1,348	\$ 1,767	\$ 7,205	\$ 7,577

13. 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, 2005, the Company has outstanding obligations to sell a maximum of US\$15,000,000 at an average rate of CAD\$1.1675 and Japanese ¥380,000,000 at an average rate of ¥98.80 to the CAD\$ during 2006. All foreign currency gains or losses to December 31, 2005 have been recognized in the statement of operations.

During September 2005, the Company entered into a cross currency interest rate swap. The Company swapped US\$20,000,000 denominated debt at an exchange rate of 1.1765 (CAD\$23,530,000). The Company will pay 5.84%, including a spread of 200 basis points, on the Canadian dollar equivalent and receive 90 day LIBOR plus a spread of 200 basis points on the US\$20,000,000. LIBOR will be recalculated at set interval dates. The swap will mature on September 1, 2009. All gains or losses on the swap have been recognized in the Statement of Operations.

(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, 2005, the company received cash proceeds of \$25,000,000 (2004 - \$25,000,000), from the sale of receivables.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three and twelve months ended December 31, 2005 and 2004 (unaudited)

14. Share capital

On November 9, 2005, the Company commenced a normal course issuer bid to acquire up to 2,384,000 Class A shares (representing approximately 5% of the outstanding Class A shares) through the facilities of the Toronto Stock Exchange. Purchases are made at market prices with a maximum of two percent of the outstanding shares being purchased in any 30-day period. During 2005 the Company acquired 39,100 Class A shares at a total cost of \$257,000 and the shares were cancelled as purchased. The excess of the cost of the shares over the assigned value totaled \$15,000 and has been charged to contributed surplus in the year ended December 31, 2005. The normal course issuer bid will terminate no later than November 8, 2006.

15. Subsequent event:

On January 3, 2006, the Seaboard Partnership declared an income distribution to its partners. The Company's share was \$54,354,000 and was paid to the Company by way of setoff against the advance and the promissory note payable to the Seaboard Partnership.