



PRESS RELEASE

International Forest Products Limited

Vancouver, B.C.

February 8, 2007

Interfor Earnings Boosted by U.S. Duty Refund

Company Records Net Profit of \$77.2 Million in Q4

**Excluding one-time items and U.S. duty deposit refunds,
Earnings total \$0.5 million, or \$0.01 per share**

OPERATING RESULTS

International Forest Products Limited (“Interfor” or the “Company”) (TSX: IFP.SV.A) recorded a net profit of \$77.2 million or \$1.60 per share in the fourth quarter of 2006 compared to net earnings of \$1.6 million or \$0.03 per share in the immediately preceding quarter, and a net loss of \$4.9 million or \$0.10 per share in the fourth quarter of 2005. For the 2006 year, Interfor recorded net earnings of \$95.5 million or \$1.97 per share (diluted \$1.95 per share), compared to net earnings of \$19.7 million or \$0.41 per share (diluted \$0.40 per share) for the year ended December 31, 2005.

Before one-time items, U.S. duty deposit refunds and related interest (“U.S. Duty Refunds”), the Company earned \$0.5 million, or \$0.01 per share, in the fourth quarter of 2006, compared to \$0.9 million, or \$0.02 per share, in the fourth quarter of 2005. Net earnings in the current quarter included after-tax foreign exchange gains of \$1.4 million (\$0.03 per share), relating primarily to the Company’s U.S.-dollar denominated cash and short-term investments. For the 2006 year, net earnings before one-time items and U.S. Duty Refunds were \$14.5 million, or \$0.30 per share, compared to \$9.9 million, or \$0.20 per share, in 2005.

EBITDA was \$117.1 million in the fourth quarter of 2006, compared to \$14.5 million in the third quarter and \$19.7 million in the fourth quarter of 2005. EBITDA excluding U.S Duty Refunds and Other Income was \$13.6 million compared to \$13.9 million in the immediately preceding quarter and \$16.6 million in the last quarter of 2005. For the 2006 year, EBITDA and EBITDA excluding U.S Duty Refunds and Other Income were \$188.0 million and \$70.9 million, respectively, compared to \$116.3 million and \$74.7 million for 2005.

The major development impacting the Company in the last quarter of 2006 was the resolution of the long-running Canada-U.S. softwood lumber dispute, which culminated in the implementation of the Canada-U.S. Softwood Lumber Agreement (“SLA”) on October 12, 2006. The Company received total refunds of countervailing and antidumping duties and related interest of US\$118.9 million (US\$105.6 duty refund monies; US\$13.3 million interest), before the deduction of a special charge of 18.06% payable to the Canadian federal government.

From an operations perspective, the Company faced challenging U.S. structural lumber markets and log market dynamics in the fourth quarter, with its U.S. Pacific Northwest mills most impacted. In October 2006, year-over-year U.S. housing starts dropped 11.1% to a six-year low, and the Random Lengths Framing Lumber Composite Price (“RLFLC”) in November 2006, fell to its lowest level (U.S. \$275 per thousand board feet) in four years. The impact of weak U.S. structural lumber markets was partly offset by higher prices for the Company’s North American cedar products, higher prices in Japan markets, increased residual chip prices and strong cost management.

Sales revenue in the fourth quarter of 2006 amounted to \$175 million, compared to \$209 million in the immediately preceding quarter and \$217 million in the fourth quarter of 2005. For the 2006 year, sales revenue was \$824 million compared to \$843 million in the previous year.

Lumber shipments totaled 225 million board feet in the fourth quarter of 2006, down from 299 million board feet in the preceding quarter and 332 million board feet in the fourth quarter of 2005. The U.S. sawmills operated at approximately two-thirds of their capacity, due to the difficult structural lumber market conditions and log supply issues. For the 2006 year, shipments totalled 1.17 billion board feet compared to 1.16 billion board feet in 2005.

The Company's unit lumber sales values in the fourth quarter of 2006 improved by 3.8% and 3.6%, respectively, compared to the immediately preceding quarter and the fourth quarter of 2005, as the positive impact from a higher-value sales mix, strong Cedar prices and solid Japanese hemlock markets outweighed the impact from the decline in U.S. structural lumber prices. For the 2006 year, average unit lumber sales values were down 6.3% compared to 2005. The prevailing lumber export tax from October 12, 2006 through December 31, 2006 was 15%.

In the fourth quarter of 2006, the Company completed the sale of its helicopter logging operation and assets, the sale of the remaining property at its former Fraser Mills site, and the sale of additional surplus logging equipment. The Company recorded net proceeds of \$11.2 million, and a pre-tax gain of \$7.2 million, from these transactions. For the 2006 year, the Company generated cash proceeds of \$49.2 million, and recorded a pre-tax gain of \$21.4 million, from the sale of surplus properties and non-core assets.

CASH FLOW AND BALANCE SHEET

Cash generated by the Company from operations, after changes in working capital of \$60.8 million (Quarter 4, 2005 - \$15.4 million), was \$149.0 million for the current quarter, compared to \$17.1 million for the last quarter of 2005. The increase was substantially due to the receipt of U.S. duty refunds and related interest.

Capital spending for the fourth quarter of 2006 was \$21.1 million (Quarter 4, 2005 - \$15.2 million), and was comprised of \$14.8 million on high-return discretionary projects, \$3.7 million on maintenance projects and \$2.7 million on roads. The Company's new primary log breakdown line at its Port Angeles mill is now in start-up mode and the energy system at Adams Lake is scheduled for completion by March 2007. For the 2006 year, capital expenditures totalled \$90.6 million (2005 - \$157.0 million).

Cash in the current quarter increased by \$134.0 million. The cash balance at year end was \$149.2 million, before long-term debt of \$40.8 million and bank indebtedness of \$0.6 million, to give a net cash balance of \$107.8 million. This compares to December 31, 2005, when net debt, excluding a short-term loan from Seaboard (which was repaid January 3, 2006), was \$29.7 million. The Company paid its special charge liability of \$24.4 million on the U.S. Duty Refunds on January 31, 2007.

OUTLOOK

The Company anticipates that North American structural lumber market conditions will remain challenging in 2007, given the expected slowdown in the U.S. economy and the lower level of U.S. housing starts anticipated for 2007. Given this outlook, prices in the U.S. are forecast to remain at low levels through the year. The Company anticipates that, as a result, export taxes are likely to be payable on sales to the U.S. through most of 2007.

With respect to other markets, the Company expects North American demand in 2007 for cedar products to remain strong and pricing to remain at near current levels. In Japan, the housing market is expected to be

relatively stable in 2007, reflecting the improving health of the economy. Prices for the Company's products are expected to remain at similar levels to those for 2006. The recent weakening of the CAD\$ versus the US\$ and Yen is forecast to continue in the near term.

Other factors which could affect operating conditions in 2007 include the impact of pulp market demand on log prices and log supply (particularly in the U.S. Pacific Northwest), and an expected increase in average stumpage rates on the B.C. Coast, reflecting the impact from rising log prices in the latter part of 2006.

With its strong balance sheet, Interfor intends to move forward with capital projects at a number of mills which will improve operating performance and efficiency. In addition, the Company will continue to look for growth opportunities which will demonstrably enhance shareholder value.

SHARE BUY-BACK PROGRAM

On November 9, 2006, the Company commenced a new normal course issuer bid ("NCIB"), entitling it to purchase up to 2,366,000 Class A Shares through the Toronto Stock Exchange. The Company purchased a total of 234,000 shares under the previous and current programs in the current quarter at an average cost of \$6.71 per share. These shares were cancelled as purchased. The current NCIB will terminate on the earlier of the date on which it acquires 2,366,000 Class A Shares, and November 8, 2007.

APPOINTMENT OF NEW DIRECTOR

At its meeting on February 8, 2007, Interfor's Board of Directors appointed Gordon MacDougall as a director of the Company.

Mr. MacDougall was one of the founding partners of Connor, Clark & Lunn Investment Management Ltd., and currently serves as a Vice President and Director of that firm. Mr. MacDougall has served on the boards of a number of publicly-traded companies and was, until recently, the Lead Director of Intrawest Corp. The appointment of Mr. MacDougall was made as part of the Company's Board succession plan. Mr. MacDougall has agreed to stand for election at the Company's Annual General Meeting in April 2007.

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 U.S. Duty Refunds and Other Income. EBITDA represents earnings before interest, taxes, depletion, amortization and restructuring costs and write-downs of property, plant and equipment and timber. EBITDA excluding U.S. Duty Refunds and Other Income represents EBITDA less U.S. duty refunds, net and 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 three 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 2005, can be found on its website at www.interfor.com and or on SEDAR at www.sedar.com.

SELECTED STATISTICS

	Three Months Ended December 31		Year Ended December 31	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Lumber volume (MMfbm)				
- Sales	225	332	1,172	1,161
- Production ⁽¹⁾	222	316	1,165	1,143
Log Volume (000 m ³)				
- Production	616	634	2,381	2,558
Prices (\$/Mfbm)				
- Lumber ⁽²⁾	534	516	534	570
- Pulp Chips	49	24	33	26
Shares Outstanding (millions)				
- Total at period end ⁽³⁾	48.1	48.7	48.1	48.7
- Weighted average	48.2	48.7	48.5	48.7

⁽¹⁾ excluding volumes custom cut for third parties

⁽²⁾ gross sales before countervailing and antidumping duties and export taxes

⁽³⁾ as of February 8, 2007 the number of shares outstanding by class are as follows:

Class A subordinate voting	47,024,796
Class B common	1,015,779
Total	48,040,575

There will be a conference call on Friday, February 9, 2007 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 2006 Financial Results. The dial-in number is ***1-866-400-2280***.

The conference call will also be recorded for those unable to join in for the live discussion. The number to call is ***1-866-245-6755 Password 848105*** and will be available until February 23, 2007.

William L. Sauder
Chairman

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

Contact: John A. Horning
Senior Vice President and Chief Financial Officer
(604) 689-6829



CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months and years ended December 31, 2006 and 2005 (unaudited)

(thousands of Canadian dollars except earnings per share)

	3 Months Dec. 31, 2006	3 Months Dec. 31, 2005	Year Dec. 31, 2006	Year Dec. 31, 2005
Sales	\$ 174,503	\$ 217,284	\$ 824,439	\$ 842,583
Costs and expenses:				
Production	156,025	189,286	722,275	722,873
Selling and administration	3,211	4,003	17,806	19,145
Long term incentive compensation	1,380	1,703	595	2,509
U.S. countervailing and antidumping duty deposits (note 4)	-	7,437	14,725	30,358
Export taxes (note 4)	2,683	-	2,683	-
Amortization of plant and equipment	7,802	8,343	30,073	28,270
Depletion and amortization of timber, roads and other	5,790	7,108	21,902	29,185
	176,891	217,880	810,059	832,340
Operating earnings (loss) before U.S. duty refund, restructuring costs and write-downs of property, plant, equipment and timber	(2,388)	(596)	14,380	10,243
U.S. duty refund, net (note 4)	96,928	-	96,928	-
Restructuring costs and write-downs of property, plant, equipment and timber (note 9)	-	(14,097)	(7,577)	(41,694)
Operating earnings (loss)	94,540	(14,693)	103,731	(31,451)
Interest expense on long-term debt	(791)	(990)	(3,174)	(3,609)
Other interest income (expense)	273	(326)	(241)	(1,070)
Interest income on U.S. duty refunds, net of special charge (note 4)	12,684	-	12,684	-
Other foreign exchange gain	2,166	306	2,317	5
Other income (note 8)	6,575	3,164	20,163	41,595
Equity in earnings of investee companies	253	1,411	2,254	7,037
	21,160	3,565	34,003	43,958
Earnings (loss) before income taxes	115,700	(11,128)	137,734	12,507
Income tax expense (recovery):				
Current	30,910	(1,394)	28,100	2,306
Future	7,576	(4,874)	14,100	(9,524)
	38,486	(6,268)	42,200	(7,218)
Net earnings (loss)	\$ 77,214	\$ (4,860)	\$ 95,534	\$ 19,725
Net earnings (loss) per share (note 11)				
Basic	\$ 1.60	\$ (0.10)	\$ 1.97	\$ 0.41
Diluted	\$ 1.58	\$ (0.10)	\$ 1.95	\$ 0.40

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31, 2006 and 2005 (unaudited)

(thousands of Canadian dollars)

	Year Dec. 31, 2006	Year Dec. 31, 2005
Retained earnings, beginning of year	\$ 85,943	\$ 66,218
Net earnings	95,534	19,725
Retained earnings, end of period	\$ 181,477	\$ 85,943

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months and years ended December 31, 2006 and 2005 (unaudited)

(thousands of Canadian dollars)

	3 Months Dec. 31, 2006	3 Months Dec. 31, 2005	Year Dec. 31, 2006	Year Dec. 31, 2005
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	\$ 77,214	\$ (4,860)	\$ 95,534	\$ 19,725
Items not involving cash:				
Amortization of plant and equipment	7,802	8,343	30,073	28,270
Depletion and amortization of timber, roads and other	5,790	7,108	21,902	29,185
Future income taxes	7,576	(4,874)	14,100	(9,524)
Reforestation liability	(3,233)	(2,294)	(2,032)	(1,740)
Other long-term liabilities	592	178	56	(961)
Equity in earnings of investee companies	(253)	(1,411)	(2,254)	(7,037)
Write-downs of property, plant, equipment and timber	-	3,749	5,868	34,026
Other (note 8)	(7,245)	(4,315)	(20,542)	(42,729)
	88,243	1,624	142,705	49,215
Cash generated from (used in) operating working capital:				
Accounts receivable (note 15(c))	6,086	15,344	(15,037)	8,591
Inventories	(1,153)	1,199	13,603	16,147
Prepaid expenses	5,744	4,494	2,082	3,917
Accounts payable and accrued liabilities	17,517	(3,840)	14,370	(4,230)
Income taxes	32,554	(1,769)	28,316	(1,119)
	148,991	17,052	186,039	72,521
Investing activities:				
Additions to property, plant and equipment	(18,462)	(11,163)	(71,909)	(53,727)
Additions to logging roads and timber	(2,681)	(4,016)	(18,694)	(20,136)
Additions to deferred start-up costs	-	-	-	(3,215)
Proceeds on disposal of property, plant, equipment, timber and roads	11,161	9,338	49,234	47,770
Acquisitions	-	-	-	(79,905)
Cash received on acquisition of subsidiary	-	-	-	2,650
Investments and other assets	(2,854)	(654)	(2,176)	3,832
	(12,836)	(6,495)	(43,545)	(102,731)
Financing activities:				
Issuance of share capital, net of expenses	126	57	676	344
Repurchase of share capital (note 10)	(1,570)	(257)	(4,739)	(257)
Increase (decrease) in bank indebtedness	(113)	8,053	(7,471)	8,053
Funds from promissory note payable to investee company (note 6)	-	26,597	-	54,354
Additions to long-term debt	-	17,373	-	48,778
Repayments of long-term debt	-	(46,378)	-	(79,288)
	(1,557)	5,445	(11,534)	31,984
Foreign exchange gain on cash and cash equivalents held in a foreign currency:	(600)	(12)	(850)	(972)
Increase in cash	133,998	15,990	130,110	802
Cash and cash equivalents, beginning of period	15,173	3,071	19,061	18,259
Cash and cash equivalents, end of period	\$ 149,171	\$ 19,061	\$ 149,171	\$ 19,061
Supplementary disclosures				
Cash interest paid (received)	\$ (12,166)	\$ 1,316	\$ (9,269)	\$ 4,679
Cash income taxes paid (received)	(1,820)	1,623	(701)	5,044

See accompanying notes to consolidated financial statements



CONSOLIDATED BALANCE SHEETS

December 31, 2006 (unaudited) and December 31, 2005 (audited)

(thousands of Canadian dollars)

	Dec. 31, 2006	Dec. 31, 2005
Assets		
Current assets:		
Cash	\$ 149,171	\$ 19,061
Accounts receivable (note 15(c))	50,748	37,911
Income taxes receivable	-	625
Inventories	81,150	102,960
Prepaid expenses	4,405	6,439
Future income taxes	4,179	6,659
	<u>289,653</u>	<u>173,655</u>
Investments and other assets (notes 6 and 13)	13,360	64,626
Property, plant and equipment, net of accumulated amortization	309,744	289,227
Timber and logging roads, net of accumulated depletion and amortization	47,597	52,375
Goodwill and other intangible assets	13,137	15,694
Future income taxes	445	3,980
Long-lived assets held for sale (note 5)	1,210	-
	<u>\$ 675,146</u>	<u>\$ 599,557</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 7(a))	\$ 582	\$ 8,053
Accounts payable and accrued liabilities	95,370	82,685
Income taxes payable	27,439	-
Payable to investee company (note 6)	-	54,354
Future income taxes payable	364	351
	<u>123,755</u>	<u>145,443</u>
Reforestation liability, net of current portion	13,210	15,242
Long-term debt (note 7(b))	40,789	40,705
Other long-term liabilities	8,602	8,546
Future income taxes	10,788	3,100
Shareholders' equity:		
Share capital (note 10)		
Class A subordinate voting shares	291,086	294,683
Class B common shares	4,080	4,080
Contributed surplus	7,720	8,186
Cumulative translation adjustment	(6,361)	(6,371)
Retained earnings	181,477	85,943
	<u>478,002</u>	<u>386,521</u>
	<u>\$ 675,146</u>	<u>\$ 599,557</u>

Subsequent event (note 13)

See accompanying notes to consolidated financial statements

On behalf of the Board:

W. L. Sauder

Director

H. C. Kalke

Director

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, 2006 and 2005 (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, 2006.

2. Comparative figures:

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

3. Seasonality of operating results:

The Company operates in the solid wood business which includes logging and 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.

4. Softwood Lumber Agreement:

On April 27, 2006 the federal governments of Canada and the United States reached a framework softwood lumber agreement ("SLA") to resolve the softwood lumber dispute. On October 12, 2006 the terms of the SLA were implemented and the U.S. Department of Commerce ("USDOC") revoked the antidumping and countervailing duty orders effective May 22, 2002 without the possibility of reinstatement. In addition, the USDOC instructed U.S. Customs and Border Protection ("CBP") to cease collecting duties effective October 12, 2006 and to refund duties collected since May 22, 2002 together with accrued interest. The refund monies, and the associated interest up to October 12, are subject to a special charge of 18.06%, payable to the Canadian government.

The SLA has a term of seven years and provides for an extension of two years and for early termination by either government after two years. Canadian softwood lumber exporters will pay an export charge when the price of lumber is at or below US\$355 per thousand board feet, as determined by the Random Lengths Framing Lumber Composite Price ("RLFLC"). The Province of British Columbia ("B.C.") has the right to choose between an export charge only ("Option A") or a lower export charge with a quota ("Option B"). This choice is made separately for the B.C. Coast and B.C. Interior regions. The Province of B.C. has chosen Option A for both the B.C. Coast and the B.C. Interior. The Province of B.C. will have the opportunity to change options on January 1, 2010 and January 1, 2013. The Option A export charge effective for October through December 2006 was 15% as the prevailing RLFLC throughout that period was below US\$315 per thousand board feet. The SLA passed a third reading of the legislation on December 6, 2006, and received Royal Assent on December 15, 2006. Export charges are recorded as export taxes on the statement of operations.

In December 2006, the Company recorded and received the duty refunds and related interest of US\$105,594,000 and US\$13,341,000 respectively. The Company's associated special charge liability totaled CAD\$24,396,000, and, together with other related duty costs, was netted against the related duty refund and interest income. The special charge liability was paid on January 31, 2007.

5. Long-lived assets held for sale:

On February 10, 2006, the Company signed an agreement to sell its helicopter logging operations, conducted by its wholly-owned subsidiary, Helifor Industries Limited. This sale was completed on December 19, 2006.

In addition, the Company developed a formal plan to dispose of certain surplus logging equipment over the next year. As December 31, 2006, the Company has classified these assets as assets held for sale.

6. Payable to investee company:

On April 21, 2005, the Seaboard Limited Partnership ("the Seaboard Partnership"), made an advance to its partners, with the Company's share of the advance being \$27,757,000. The Company signed an unsecured promissory note which was payable on demand on or before January 31, 2006. On December 29, 2005, the Seaboard Partnership provided a second advance to its partners, also payable on demand, with the Company's share of this advance being \$26,597,000.

On January 3, 2006, the Seaboard Partnership declared an income distribution to its partners, of which the Company's share of \$54,354,000 was received by way of setoff against the advance and the promissory note payable to the Seaboard Partnership. In accordance with equity accounting, the income distribution was recorded as a reduction of the investment in Seaboard.

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, 2006 and 2005 (unaudited)

7. Bank indebtedness and long-term debt:

(a) Bank indebtedness:

	Canadian Operating Facility	U.S. Operating Facility	Mapri Developments	Total
December 31, 2006				
Available line of credit	\$ 60,000	\$ 17,481	\$ -	\$ 77,481
Maximum borrowing available	60,000	12,206	-	72,066
Unused portion of line	55,310	12,066	-	67,376
Outstanding letters of credit included in line utilization	4,690	140	-	4,830
December 31, 2005				
Available line of credit	\$ 75,000	\$ 17,445	\$ 4,000	\$ 96,445
Maximum borrowing available	58,739	17,445	2,972	79,156
Unused portion of line	53,820	10,281	2,747	66,848
Outstanding letters of credit included in line utilization	4,306	186	-	4,492

In the second quarter of 2006, the Company renewed its existing Canadian operating line of credit. The terms and conditions of the line remain unchanged, except for a reduction in the interest rate premiums, and a reduction in the maximum operating credit available to \$60,000,000 (December 31, 2005 - \$75,000,000). The line is 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 26, 2007.

In the first quarter of 2006, the Company renewed its existing U.S. operating line of credit. The terms and conditions of the line remain unchanged, with a maximum operating line of credit totalling 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. The loan bears interest at U.S. bank prime or, at the Company's option, at LIBOR plus 1¼%. The line of credit is secured by the accounts receivable 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, 2007.

On obtaining 100% ownership of Mapri Developments Ltd. ("Mapri") on May 31, 2005, the Company renewed Mapri's existing revolving line of credit of \$4,000,000. On September 30, 2006, this line was cancelled in conjunction with commencement of the wind-up of Mapri and the subsequent sale of the shares of B.W. Creative Wood Industries Ltd. ("BWC"), a wholly-owned subsidiary of Mapri.

(b) Long-term debt:

In the third quarter of 2006, the Company reduced the maximum borrowing available under the Company's Canadian revolving term line ("Revolving Line") to \$40,000,000 (December 31, 2005 - \$90,000,000). As at December 31, 2005, the Revolving Line was undrawn and remained unutilized throughout 2006. 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 and matures on April 27, 2007.

As at December 31, 2006, the \$US non-revolving term line (the "Non-Revolving Line") remains fully drawn at US\$35,000,000 (December 31, 2005 - US\$35,000,000) and was revalued at the month-end exchange rate to CAD\$40,789,000 (December 31, 2005 - CAD\$40,705,000). 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:

2007	\$ -
2008	-
2009	40,789
2010	-
2011	-
	\$ 40,789

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, 2006 and 2005 (unaudited)

8. Other income:

	3 months Dec. 31, 2006	3 months Dec. 31, 2005	Year Dec. 31, 2006	Year Dec. 31, 2005
Gain (loss) on disposal of investments, surplus property, plant and equipment	\$ 7,245	\$ (918)	\$ 21,377	\$ 11,639
Gain on settlement of timber takeback	-	-	-	6,373
Equity income participation in gain on sale of surplus assets sold by Seaboard	-	4,082	-	23,583
Other, net	(670)	-	(1,214)	-
	\$ 6,575	\$ 3,164	\$ 20,163	\$ 41,595

In the fourth quarter of 2006, the Company completed the sale of the plant and equipment of Helifor Industries Limited ("Helifor") for proceeds of \$4,500,000 plus amounts for working capital. Additional sales of surplus logging equipment and sales of surplus lands at the former Fraser Reman site in Coquitlam, B.C. and Squamish, B.C. generated proceeds of \$6,566,000. The total gain on the sale of surplus and non-core assets totalled \$7,245,000 for the fourth quarter.

In the third quarter of 2006, Mapri commenced wind-up proceedings and the shares of its wholly-owned subsidiary, BWC, were sold. This transaction, combined with the sale of all inventories, property, plant and equipment of the Mackenzie Sawmill and further sales of surplus logging and other assets generated proceeds of \$17,013,000 and a gain of \$1,499,000 in the quarter.

During the second quarter of 2006, the Company completed the sale of surplus properties in Squamish, B.C. for sale proceeds of \$10,533,000 and a gain of \$8,534,000. In addition, all property, plant and equipment of Saltair Timber Products Limited and surplus equipment of Field Sawmill division on Vancouver Island, B.C. as well as surplus logging and other assets were sold in the quarter for proceeds of \$4,730,000 and a gain of \$1,574,000.

In the first quarter of 2006, the Company completed the sale of its sawmill located in Marysville, Washington. The Company recorded sale proceeds of \$2,542,000 and a gain of \$874,000. Sales of other surplus assets generated additional proceeds of \$2,473,000 and a gain of \$1,651,000.

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

	3 Months Dec. 31, 2006	3 Months Dec. 31, 2005	Year Dec. 31, 2006	Year Dec. 31, 2005
Property, plant, equipment and timber write-downs	\$ -	\$ 3,749	\$ 5,868	\$ 34,026
Severance and other restructuring costs, net of recoveries	-	10,348	1,709	7,668
	\$ -	\$ 14,097	\$ 7,577	\$ 41,694

In 2005, 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 \$34,026,000 was recorded to reduce the carrying values of these assets to estimated fair values.

In the second quarter of 2006, the Company recorded an additional impairment charge of \$5,868,000. The Company continued its programs to improve its competitive cost structure resulting in additional severance charges of \$2,193,000 for the second quarter (\$3,396,000 for the year).

During the first and second quarters, 2006, the Company received recoveries totalling \$1,687,000 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*. As the associated costs had been expensed in the current and prior years as restructuring costs, the recovery served to offset additional severance costs for these workers recorded in the current year to date. 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 the amounts can be estimated.

10. Share capital:

On November 9, 2005, the Company commenced a normal course issuer bid ("NCIB 04") to acquire up to 2,384,000 Class A Subordinate Voting shares ("Class A Shares"). NCIB 04 terminated on November 8, 2006. On November 9, 2006, the Company commenced a normal course issuer bid ("NCIB 05") to acquire up to 2,366,000 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. The shares are cancelled as purchased. NCIB 05 will terminate no later than November 8, 2007.

During 2006 the Company acquired 691,700 Class A shares (2005 - 39,100) at a total cost of \$4,739,000 (2005 - \$257,000) and the shares were cancelled as purchased. The excess of the cost of the shares over the assigned value totalled \$466,000 (2005 - \$15,000) and has been charged to contributed surplus in the year ended December 31, 2006.

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, 2006 and 2005 (unaudited)

10. Share capital (continued):

	3 Months Dec. 31, 2006	3 Months Dec. 31, 2005	Year Dec. 31, 2006	Year Dec. 31, 2005
Acquisitions under normal course issuer bid				
Number of shares purchased and cancelled	234	39	692	39
Share cost	\$ 1,570	\$ 257	\$ 4,739	\$ 257
Excess of cost of shares over assigned value charged to contributed surplus	128	15	466	15

11. Net earnings (loss) per share:

	3 months Dec. 31, 2006			3 months Dec. 31, 2005		
	Net earnings	Shares	Per share	Net earnings	Shares	Per share
Basic earnings (loss) per share	\$ 77,214	48,217	\$ 1.60	\$ (4,860)	48,692	\$ (0.10)
Share options	-	536	-	-	581*	-
Diluted earnings (loss) per share	\$ 77,214	48,753	\$ 1.58	\$ (4,860)	48,692	\$ (0.10)

	Year Dec. 31, 2006			Year Dec. 31, 2005		
	Net earnings	Shares	Per share	Net earnings	Shares	Per share
Basic earnings per share	\$ 95,534	48,482	\$ 1.97	\$ 19,725	48,680	\$ 0.41
Share options	-	583	-	-	602	-
Diluted earnings per share	\$ 95,534	49,065	\$ 1.95	\$ 19,725	49,282	\$ 0.40

*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.

12. 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 Dec. 31, 2006	3 months Dec. 31, 2005	Year Dec. 31, 2006	Year Dec. 31, 2005
Canada	\$ 71,139	\$ 58,820	\$ 263,648	\$ 237,029
United States	70,909	126,257	424,253	455,660
Japan	14,969	13,201	67,104	75,026
Other export	17,486	19,006	69,434	74,868
	\$ 174,503	\$ 217,284	\$ 824,439	\$ 842,583

Sales by product line are as follows:

	3 months Dec. 31, 2006	3 months Dec. 31, 2005	Year Dec. 31, 2006	Year Dec. 31, 2005
Lumber	\$ 120,459	\$ 171,359	\$ 625,552	\$ 661,483
Logs	32,628	25,888	103,250	105,107
Wood chips and other by products	12,146	8,572	41,868	34,118
Other	9,270	11,465	53,769	41,875
	\$ 174,503	\$ 217,284	\$ 824,439	\$ 842,583

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, 2006 and 2005 (unaudited)

12. Segmented information (continued):

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

	Dec. 31, 2006	Dec. 31, 2005
Canada	\$ 210,387	\$ 214,211
United States	161,301	143,085
	\$ 371,688	\$ 357,296

13. Subsequent event:

On January 2, 2007, the Seaboard Partnership declared an income distribution to its partners. The Company's share was \$4,369,000 and, in accordance with equity accounting, was recorded as a reduction of its investment.

14. Employee future benefits:

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

	3 months Dec. 31, 2006	3 months Dec. 31, 2005	Year Dec. 31, 2006	Year Dec. 31, 2005
Defined contribution plan	\$ 305	\$ 359	\$ 1,470	\$ 1,673
Defined benefit plan	(3)	(39)	355	349
Unionized employees' pension plan	533	1,033	3,215	4,489
U.S. employees benefit plan	100	176	588	599
Senior management supplementary pension plan	118	157	825	468
Total pension expense	\$ 1,053	\$ 1,686	\$ 6,453	\$ 7,578

15. Financial instruments:

(a) Fair value of financial instruments:

At December 31, 2006, the fair value of the Company's long-term debt approximated its carrying value of \$40,789,000 as the long-term debt bears interest at current market rates. The fair values of other financial instruments approximate their carrying values due to their short-term nature.

(b) 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, 2006, the Company has outstanding obligations to sell a maximum of US\$16,500,000 at an average rate of CAD\$1.1578 and Japanese ¥445,000,000 at an average rate of ¥101.70 to the CAD\$1.00 during 2006. All foreign currency gains or losses to December 31, 2006 have been recognized in the statement of operations.

In September 2005, the Company entered into a cross currency interest rate swap. The Company swapped a notional \$20,000,000 USD 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 and has been marked to market with all gains or losses recognized in the statement of operations.

(c) 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 were collected, they were replaced by new receivables to maintain the aggregate outstanding balance. In the first quarter, 2006, the Company renewed this program and extended its termination date to March 31, 2007. On July 17, 2006, the Company reduced securitized receivables to nil (December 31, 2005 - \$25,000,000) resulting in a corresponding increase in accounts receivable. On December 15, 2006, the Company terminated the agreement.



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