

**REMARKS
BY
DUNCAN DAVIES
PRESIDENT & CEO**

**INTERNATIONAL FOREST PRODUCTS LIMITED
ANNUAL GENERAL MEETING
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Introduction

Thank you, Bill.

During the next few minutes, I have the pleasure of reporting to you on Interfor's financial results for 2005, and for the 1st three months of 2006.

However, before I move to the financial review, I would like to note that Interfor made considerable progress on our strategic initiatives in 2005.

And that progress continues today.

Our goal is to build one of the world's pre-eminent lumber and building products companies.

Five years ago, our production capacity amounted to 750 million board feet, with 80% located on the B.C. Coast.

At the end of 2005, Interfor's total production capacity exceeded 1.4 billion board feet – 60% of which was located in the B.C. Interior and the U.S. Pacific Northwest – two areas which have achieved attractive returns in recent years, and are well-positioned from a competitive standpoint.

Building a diversified geographic operating portfolio is a key element of our strategic plan. And, we have made real progress in this regard in the last two years.

In fact, our U.S. operations were the Company's largest profit generator in 2005 and the primary reason why our results remained as strong as they did in 2005.

Financials

All-in-all, Interfor generated net income of \$19.7 million in 2005 on sales of \$835 million.

These results were slightly below our results in 2004 when the Company earned \$24.5 million, but a significant improvement over 2003 when we recorded a loss of \$23 million.

The 2005 results reflect strong performances by our B.C. Interior and U.S. operations which delivered excellent results in spite of lower product prices.

The results were also achieved in spite of paying \$30 million in softwood duties, and in spite of continued upward pressure on the value of the Canadian dollar.

Included in our 2005 results was a net gain of \$9.7 million associated with restructuring activities, the biggest of which were the gains associated with the sale of Western Stevedoring and a surplus vessel by Seaboard Shipping Company, (in which we hold a 60% interest).

Cash Flow / Balance Sheet

Managing for cash has been a core element of our management philosophy since 1998, and 2005 was no exception.

\$71 million in cash was generated from operations (after changes in working capital).

And \$48 million was generated from the sale of property and equipment.

As well, \$54 million was received by way of an advance from Seaboard.

Capital spending totaled \$73 million, and \$80 million was spent to acquire the assets of Flragon Forest products in Oregon and to purchase the balance of BW Creative – a specialty products operation located in Maple Ridge in which we held a 49% interest.

At the end of the year, net debt (excluding the Seaboard advance) amounted to \$30 million, or 7% of invested capital.

Once again, Interfor's balance sheet ranks as one of the best in the forestry sector, providing protection against uncertainty and the strength to pursue value-creating initiatives.

Queensboro

As we reported to you last year, a decision was made to rebuild our New Westminster sawmill in mid 2004. This project was completed in April 2005 and commenced start-up procedures shortly thereafter.

Unfortunately, a number of deficiencies in the design and performance of the mill became apparent shortly after start-up and the mill was curtailed in late November to provide the time needed to address the deficiencies and to develop a new business plan for the operation.

The mill resumed operations on January 17th with improved results. And while challenges remain, we are optimistic the mill will make a positive contribution to our results as we move forward.

Capital Projects

In spite of the challenges at Queensboro, we continue to believe that constant reinvestment and the use of state-of-the-art technology are two of the keys to success in our industry segment.

To this end, our Board approved major capital reinvestment projects for our Port Angeles, Gilchrist and Molalla in 2005 and for our Adams Lake mill in early 2006.

The U.S. projects are well underway and, in some cases, complete while the projects at Adams Lake are scheduled for completion in the 1st Quarter of 2007.

Share Buy-Back

And, finally, in October the Company announced plans to buy-back up to 5% of our outstanding Class A Shares.

This is the fourth time Interfor has put a share buy-back program in place in the last six years.

We believe our shares are undervalued and that a share buy-back program is consistent with our goal of creating long-term value for our shareholders.

Share Price

In that regard, we believe the ultimate test of a public company is the value ascribed to its shares in the public market.

The graph currently on the screen compares the changes in the value of \$100 invested in Interfor shares five years ago with similar amounts invested in TSX P&FP index (in red) and in the TSX 300 Composite (in green).

And I am pleased to say that Interfor's performance over the last five years – which represents a 13% CAGR – exceeded that of the TSX by 6% and the P&FP by 19%.

That said, we are fully aware that we will be judged in the years ahead on the basis of our performance moving forward, rather than looking backwards.

Safety

The progress we made as a Company in 2005 was marred by the number of serious injuries and fatalities that occurred during the year.

In October, two young men – Duncan Ruth, who was 36 and Clayton Shearcroft, who was 26, lost their lives in the crash of one of Helifor's Vertol helicopters at South Bentick Arm. Over the course of the year, five other men, working as contractors for our Company, lost their lives in separate events.

We are not proud of these results. And they fly in the face of the culture we have tried to instill at our Company and, indeed, in the face of significant improvements in safety performance over the last seven years.

As a result, a group of the Company's senior managers came together in late November on my instructions to review our commitment to providing a safe workplace and to ensure that our practices and standards addressed the issues at the heart of these results.

Following this meeting a number of new initiatives were put in place – many of them focused on the performance of contractors working at Interfor operations.

To date, we have seen a high level of cooperation from our contractors who share our concerns about worker safety. Results will be monitored over the course of the year, and we expect to see improved results as we move forward.

1st Quarter

Let me turn now to our results for the 1st Quarter of 2006.

In the Quarter Interfor recorded net earnings of \$8.7 million on sales of \$214 million. This compares to net earnings of \$10.9 million on sales in the 1st Quarter last year, and to a loss of \$4.9 million in the 4th Quarter.

Prices in the North America market improved by 5% in the 1st Quarter compared to the 4th Quarter which helped to offset a 2% appreciation in the value of the Cdn \$.

In our case, better results at Queensboro and lower duty rates helped to improve the performance of our Coastal business, while results in the B.C. Interior and in the U.S. remained strong.

While improved, the results achieved by our Coastal business remain well below the level we would consider acceptable, given the amount of capital invested in the region.

As a result, significant amounts of management time continues to be devoted to improving the performance of our Coastal group.

In the 1st Quarter, agreements were reached to move all of our Company-owned conventional logging operations into the hands of specialized logging contractors and, in February, an agreement was reached to sell our helicopter logging operations to a subsidiary of Columbia Helicopters. These initiatives are consistent with our strategy to focus on our core lumber operations, and should help to simplify and streamline our Coastal operations.

Included in our results for the Quarter was a gain of \$3.5 million associated with one-time items, including the gains associated with the sale of surplus property and equipment.

1st Quarter – Cash Flow & Balance Sheet

In the Quarter, Interfor generated \$15 million in cash from operations, and another \$5 million from the sale of property and equipment.

\$16 million was spent on capital projects, leaving net debt at the end of the Quarter of \$23 million, or less than 6% of invested capital.

Closing

Last year, I stood here and told you that I felt better about Interfor than I had at any time since joining the Company. I can tell you the same today.

We have made tremendous progress in the last year, and the groundwork has been laid for even more success in the years ahead.

We still have challenges, and some of them are significant.

That said, we are absolutely committed to building one of the world's strongest and most respected lumber and building products companies ... and to delivering superior returns to our shareholders.

We are not going to stop here. We continue to look for opportunities to grow and to improve our Company, and there are some exciting opportunities on the horizon.

In closing, I would like to thank our Directors for their guidance and support in the last 12 months.

In particular, I would like to add my thanks to Joe Segal, who has been a director for 19 years, and Rich McKerracher, who has been with us since 1998 for their time and commitment to the Company.

I would also like to single out our Chairman, Bill Sauder. Bill has been a tremendous source of wisdom and guidance for me over the last eight years. We wouldn't have made the progress we have without your involvement.

Thank you, Bill, for everything you have done, and continue to do, on the Company's behalf.

But ... most of all ... I would like to thank our shareholders for their continued support.

We take our responsibility to you very seriously ... and we will do everything we can to build a company that makes you proud.

I will now turn the podium back to our Chairman, and provide an opportunity for our guests to ask questions.

Thank you.