

**REMARKS  
BY  
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**INTERNATIONAL FOREST PRODUCTS LIMITED  
ANNUAL GENERAL MEETING  
APRIL 26, 2007**

**Introduction**

It is my pleasure to report to you on Interfor's financial results for 2006, and for the first three months of 2007.

More important, I will tell you about the progress we have made – and continue to make – towards our goal of becoming one of the world's leading lumber and building products companies.

We have come a long way in recent years.

And 2006 was no exception.

Our program to monetize non-core and non-performing assets and to upgrade our core facilities continued and gained momentum as the year progressed.

And, we're in great shape financially – with one of the strongest balance sheets in the business.

**Financials**

From a business and financial standpoint, the most important event of 2006 was the settlement of the softwood dispute between Canada and the United States.

The agreement – which came into effect in October – creates greater certainty for producers on both sides of the border and resulted in the return of 82% of the duty deposits paid by our company and by other Canadian producers since 2002.

From a bottom-line standpoint, Interfor generated net earnings of \$95.5 million in 2006 on sales of \$824 million.

Of this amount, \$72.2 million was attributable to the duty refund, and another \$8.8 million was due to the gains associated with our restructuring activity.

Excluding the duty refund and one-time items, Interfor earned \$14.5 million in 2006, compared to \$9.9 million in 2005.

It is important to note at this point, that 2006 was a very different year from an operating standpoint than 2005.

The downturn in housing activity in the U.S. in mid-year had a material impact on product prices, and a negative impact on the financial performance of our U.S. and Interior operations in the last half of the year.

This impact was accentuated by the relative strength of log prices – particularly in the Pacific Northwest – and by further increases in the value of the Canadian dollar, which peaked at more than US\$0.90 in mid-year.

Helping to offset the impact of lower prices and the stronger C\$ was the relative strength of prices in the specialty and offshore markets, and the impact of our restructuring efforts. The restructuring program which was spearheaded by John Horning had a significant impact on our cost structure and helped to reduce the negative drag associated with a number of non-performing operations in 2006.

### **Cash Flow / Balance Sheet**

From a cash flow standpoint, Interfor generated \$186 million from operations in 2006, after changes in working capital, and another \$49.2 million from the sale of surplus property, plant and equipment.

Capital spending totaled \$90.6 million.

At the end of the year, Interfor had a net cash balance of almost \$108 million and more than \$300 million in financial capacity.

Our balance sheet ranks as one of the best – if not the best – in the forestry sector in North America, and provides the foundation to grow the value of the Company in the years ahead.

### **Capital Projects**

As I've said before, constant re-investment and the use of state-of-the-art technology are two of the keys to success in the lumber industry.

And, in this regard, significant progress was made in 2006....

Major projects were undertaken at a number of our plants:

- Gilchrist – new kilns and a new automated grade reader were installed.
- Molalla – the log yard was significantly upgraded, two new kilns were installed and a new planer complex was built.
- Port Angeles – a new primary breakdown line was installed.
- Adams Lake – a wood-fired energy system and site improvements top the list of discretionary investments.

The installations which are designed and managed by Sandy Fulton and his team are absolutely first class and on track to deliver returns in excess of pro forma.

And the financial benefits of these projects are only starting to hit the bottom line.

The Molalla project was commissioned in August, while the Port Angeles and Adams Lake projects were completed in the 1<sup>st</sup> Quarter of 2007.

### **First Quarter**

Let me turn now to our results for the 1<sup>st</sup> Quarter of 2007.

In the quarter, Interfor recorded net earnings of \$597,000 or \$0.01 per share on sales of \$165 million. These figures include one-time items totaling \$1.3 million, which had the effect of boosting our results by \$0.02 per share in the quarter.

Prices in the North American market improved slightly in the 1<sup>st</sup> quarter but remain well below trend levels, and the prices achieved one year ago. Higher chip prices and a 3% drop in the value of the C\$ helped to support the Company's results in the quarter.

### **1<sup>st</sup> Quarter – Cash Flow and Balance Sheet**

In the quarter, Interfor generated \$17.9 million in cash from operations, and another \$3.8 million from the sale of property and equipment.

\$16.4 million was spent on capital projects.

After changes in working capital, the Company held \$65 million in net cash at the end of the quarter.

All-in-all, we are very pleased with the results we have achieved in a difficult market environment, and with the progress we have made on capital projects in the last couple of years.

### **Adams Lake Project**

And now, for the exciting news.

Earlier today, our Board authorized the expenditure of \$100 million to construct a new sawmill at Adams Lake to replace the existing facility.

The new mill is the final stage of the Adams Lake Master Plan which was approved in 2003. Last year, more than \$30 million was invested at Adams Lake in site improvements and the new energy complex. Earlier, new kilns and a new planer were installed.

The new mill is specifically designed to address the challenges of sawing MPB-killed timber. The mill will incorporate proven technology and should materially improve the operating efficiency and cost structure of the Adams Lake mill.

Construction is scheduled to begin this summer, with completion projected for late 2008.

The existing mill will run through the construction period and will be phased-out as the new mill works through to its start-up curve.

Financing for the project will come from our own cash resources and our existing lines of credit.

This is a very exciting project for us, and I would like to thank all of the people who have worked so hard to bring the project to this stage.

And, I would like to thank the members of our Board for the support they have given to this exciting project.

### **Board Renewal**

Last year, I stood here and told you I was excited about the future of Interfor. I'm even more excited today.

The Company is focused and streamlined.

I truly believe we are on our way to achieving our goal of building one of the world's leading lumber and building products companies ... and, most important, we are delivering superior returns to our shareholders.

None of the progress we've made in recent years would have been possible without the support of a strong Board of Directors under the leadership of our Chairman, Bill Sauder.

Today marks the retirement of three of our long-serving directors:

- John Milroy – who has been a director for 29 years – and served for many years as chairman of our Audit Committee;
- Claude Laval – who has been a director for 13 years, and recently served as Chairman of our Environment and Safety Committee; and
- Bob Kadlec – who has also been a director for 13 years – and who chaired our Corporate Governance Committee for many years.

Each of these directors has made a strong contribution to our Company. We would not be in the position of strength we are today without their wise counsel.

On behalf of the Company, I would like to thank each of you for the work you've done on our behalf during these very challenging times.

At the same time, we are very excited about the group of new directors who have joined our Company.

Peter Lynch, Gord MacDougall, Eddie McMillan and Doug Whitehead have very strong backgrounds in the forest products and investment communities, and are outstanding additions to the Board.

We are looking forward to working with you in the months and years ahead as we build on our success.

### **Closing**

In closing, I would like to say that Interfor has clear goals and clear strategies to achieve those goals.

We also have the drive and discipline needed to be successful.

We made significant progress in 2006.

We intend to do the same this year.

Thank you for your support.