



International Forest Products Limited

Vancouver, B.C.

February 7, 2008

Weak Markets, Strong Dollar and Coastal Strike Weigh Heavily on Interfor's Q4 Results

- Company Reports Net Loss of \$8.9 million, \$0.19 per Share

Company Acquiring Pope and Talbot's B.C. Southern Interior Sawmills, Timber Tenures

INTERNATIONAL FOREST PRODUCTS LIMITED ("Interfor" or the "Company") (TSX: IFP.A) reported a net loss of \$8.9 million, or \$0.19 per share, for the fourth quarter of 2007, compared to a net loss of \$1.6 million, or \$0.03 per share, for the third quarter of 2007, and net earnings of \$77.2 million, or \$1.60 per share, for the fourth quarter of 2006. (Earnings in the fourth quarter of 2006 included U.S duty refunds and related interest of \$72.2 million, or \$1.50 per share, after tax.) For the 2007 year, Interfor recorded a net loss of \$13.3 million, or \$0.28 per share, compared to net earnings of \$95.5 million, or \$1.97 per share, for the year ended December 31, 2006.

Earnings for the fourth quarter of 2007 include one-time items of \$1.0 million, or \$0.02 per share, which included an income tax recovery of \$1.2 million (\$0.02 per share) resulting from a reduction in recently enacted federal income tax rates. Before one-time items, the Company reported a net loss of \$9.9 million, or \$0.21 per share. Comparable net losses for the third quarter of 2007 and fourth quarter of 2006 were \$2.2 million (\$0.05 per share) and \$1.0 million (\$0.02 per share), respectively.

The current quarter's results also include a long term incentive compensation ("LTIC") recovery of \$1.0 million (\$0.7 million, or \$0.01 per share, after tax), compared to a recovery of \$4.2 million (\$2.8 million, or \$0.06 per share, after tax) for the third quarter of 2007, and an expense of \$1.4 million (\$0.9 million, or \$0.02 per share, after tax) for the fourth quarter of 2006.

"Depressed North American lumber prices, a record-high Canadian dollar, and labour disruption at the Company's B.C. Coastal operations weighed heavily on the Company's financial results for the quarter," said Duncan Davies, Interfor's President and CEO.

New home construction activity continued to trend downwards in the last quarter of 2007, with the fallout from the U.S. sub-prime mortgage market accelerating the downturn. The falloff in demand significantly outpaced contractions in supply, leading to a downward spiralling of prices in the fourth quarter. Over the same period, the Canadian dollar strengthened considerably, hitting a record high in November. The combination of weaker prices, the stronger Canadian dollar, and a 15% export tax on shipments to the U.S., resulted in Canadian producer sales realizations falling to their lowest level in recent memory.

Given the difficult climate, the Company made the decision in December to indefinitely curtail its Queensboro sawmill division in New Westminster, B.C. Interfor is currently exploring alternatives for the operation, including the possibility of selling the mill.

The United Steelworkers Union ("USW") returned to work in November, following a 15-week strike impacting the Company's B.C. coastal operations. A new three year agreement with the Company is in place. Following a drawdown of lumber inventories in the previous quarter due to the strike, inventories at the impacted operations returned to normal levels by the end of the year.

The Company continued to make progress on its \$100 million Adams Lake sawmill project in the fourth quarter. The project remains on budget and on schedule to be completed by the end of 2008.

The Company received Court approval in January 2008 for its acquisition of Pope and Talbot's ("P&T") Castlegar and Grand Forks sawmill assets and related timber tenures in the Southern B.C. Interior, and its Spearfish sawmill assets in South Dakota. The purchase price is US\$69 million, plus working capital and adjustments for certain other items. The Company has reached agreement to sell the Spearfish mill for US\$14 million, plus working capital, in a transaction scheduled to close concurrently with the P&T acquisition. "The Castlegar and Grand Forks sawmills will add critical mass in one of our core operating regions and broaden our product lines in both specialty and commodity grades," said Davies. The transaction is expected to close in March or April.

The Company ended the year with cash and deposits of \$26.6 million, and net debt of \$8.1 million, or 1.9% of invested capital, after taking account of its fully drawn US\$35.0 million non-revolving term line. On February 1, 2008, the Company obtained a financing commitment from its lenders to extend the maturity date of its syndicated credit facilities, and increase its Canadian operating and revolving term lines of credit from \$50 million to \$215 million. "With these new credit facilities in place, the Company is well positioned to execute its strategic initiatives and to weather a prolonged downturn in North American markets," said Davies.

The Company expects North American structural lumber prices to remain weak through the first quarter of 2008 and for the balance of the year. Cedar prices are expected to be firm through the first quarter of 2008, reflecting steady demand and tight supply. In Japan, the current supply shortage, which is offsetting lower demand, should help to keep prices reasonably stable through the first quarter. Residual chip prices have resumed their upward trend in early 2008, reflecting continued high demand from pulp producers and reduced supply. Stumpage rates on the B.C. Coast for the first quarter of 2008 are expected to remain relatively unchanged.

"With the prospect of a difficult year ahead, the Company will be maintaining a very tight control over cash, while remaining alert to selective growth opportunities in regions and products with attractive fundamentals. The rebuild of the Adams Lake sawmill and the P&T acquisition are the only major capital investments currently approved for 2008," said Davies.

APPOINTMENT OF NEW CHAIRMAN

At its meeting earlier today, Interfor's Board of Directors elected Lawrence Sauder to serve as the Company's non-executive Chairman, replacing William Sauder, who passed away December 19, following a brief illness.

Lawrence Sauder, 55, has been a director of Interfor since 1984 and most recently served as Vice-Chairman of the Board and as a member of the Management Resources and Compensation Committee. He also serves as Chairman of Sauder Industries Limited, a privately-held manufacturer and distributor of building products, and as Chairman of Hardwoods Distribution Income Fund (TSX: HWD.UN-T), a distributor of wood products.

"Bill Sauder was a man of outstanding character and integrity and we feel a deep sense of loss at his passing," said Duncan Davies. "Lawrence Sauder is intimately familiar with the Company's affairs and with the challenges and opportunities facing the industry. We look forward to working with him and the other members of the Board as we move towards our goal of positioning Interfor as one of North America's leading lumber and building products companies."

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.

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 2006 can be found on its website at www.interfor.com and or on SEDAR at www.sedar.com.

There will be a conference call on Friday, February 8, 2008 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, 2007 Financial Results.

The dial-in number is **1-866-400-3310**. The conference call will also be recorded for those unable to join in for the live discussion, and will be available until February 22, 2008. The number to call is **1-866-245-6755 Passcode 639421**.

For further information:

John A. Horning
Senior Vice President, Chief Financial Officer and Corporate Secretary
(604) 689-6829

SELECTED QUARTERLY FINANCIAL INFORMATION

Quarterly Earnings Summary

	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Unaudited (millions of dollars except share and per share amounts)							
Sales – Lumber	70.7	93.2	143.0	127.5	120.5	153.9	173.5	177.7
– Logs	35.6	30.3	33.2	19.4	32.6	31.4	22.0	17.2
– Wood chips and other by-products	7.2	10.0	17.1	16.0	12.1	11.3	9.3	9.1
– Other	1.9	2.0	2.1	1.7	9.3	12.6	19.7	12.2
Total Sales	115.4	135.5	195.4	164.6	174.5	209.2	224.5	216.2
Operating earnings (loss) before U.S. duty refunds, net, restructuring costs and asset write-downs	(15.3)	(4.6)	(3.5)	(1.8)	(2.4)	-	8.3	8.5
Operating earnings (loss)	(15.7)	(4.6)	(4.9)	(2.1)	94.5	-	0.3	8.9
Net earnings (loss)	(8.9)	(1.6)	(3.4)	0.6	77.2	1.6	8.0	8.7
Net earnings (loss) per share – basic	(0.19)	(0.03)	(0.07)	0.01	1.60	0.03	0.17	0.18
– diluted	(0.19)	(0.03)	(0.07)	0.01	1.58	0.03	0.16	0.18
EBITDA ³	(4.6)	8.9	14.5	13.0	115.0	14.5	33.7	22.6
Cash flow from operations per share ¹	(0.06)	0.10	0.12	0.37	1.82	0.29	0.40	0.44
Shares outstanding – end of period (millions) ²	47.1	47.1	47.6	47.8	48.1	48.3	48.4	48.7
– weighted average (millions)	47.1	47.4	47.8	48.0	48.2	48.4	48.6	48.7
Adjusted EBITDA ³	(4.7)	7.2	12.6	10.8	11.5	13.9	23.6	19.7

1 Cash generated from operations before taking account of changes in operating working capital.

2 As at February 6, 2008, the numbers of shares outstanding by class are: Class A Subordinate Voting shares – 46,089,076 Class B Common shares – 1,015,779, Total – 47,104,855.

3 EBITDA represents earnings before interest, taxes, depletion, amortization and restructuring costs and asset write-downs. The Company discloses EBITDA as it is a measure used by analysts to evaluate the Company's performance. As EBITDA is a non-GAAP measure, it may not be comparable to EBITDA calculated by others. In addition, as EBITDA is not a substitute for net earnings, readers should consider net earnings in evaluating the Company's performance. Adjusted EBITDA represents EBITDA adjusted for U.S. duty refunds and other income. EBITDA and Adjusted EBITDA can be calculated from the statements of operations as follows:

	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Unaudited (millions of dollars)							
Net earnings (loss)	(8.9)	(1.6)	(3.4)	0.6	77.2	1.6	8.0	8.7
Add:								
Income taxes (recovery)	(7.1)	(1.8)	(4.5)	(0.3)	38.5	(1.3)	2.1	3.0
Interest expense	0.2	(0.1)	(0.5)	(0.9)	0.5	0.9	1.0	1.0
Interest income on U.S. duty refund, net of special charge	-	-	-	-	(12.7)	-	-	-
Depletion and amortization	10.7	11.7	16.2	12.2	13.6	13.4	14.6	10.4
Other foreign exchange (gains) losses	0.2	0.7	5.3	1.1	(2.1)			(0.2)
Restructuring costs, asset write-downs and other	0.3	-	1.4	0.3	-	-	8.0	(0.4)
EBITDA	(4.6)	8.9	14.5	13.0	115.0	14.5	33.7	22.6
Deduct:								
U.S. duty refunds, net	-	-	-	-	96.9	-	-	-
Other income	0.2	1.7	1.9	2.2	6.6	0.6	10.1	2.8
Adjusted EBITDA	(4.7)	7.2	12.6	10.8	11.5	13.9	23.6	19.7

Volume and Price Statistics

		2007				2006			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
		Unaudited							
Lumber sales	(million fbm)	161	196	270	244	225	299	319	329
Lumber production ¹	(million fbm)	150	187	269	249	222	292	326	325
Log sales ²	(thousand cubic metres)	382	315	319	207	381	358	229	222
Log production ²	(thousand cubic metres)	373	401	626	366	616	707	667	391
Average selling price – lumber ³	(\$/thousand fbm)	\$441	\$476	\$530	\$522	\$534	\$515	\$545	\$540
Average selling price – logs ²	(\$/cubic metre)	\$91	\$95	\$101	\$91	\$85	\$87	\$95	\$77
Average selling price – pulp chips	(\$/thousand fbm)	\$37	\$43	\$54	\$56	\$49	\$35	\$26	\$25

1 Excludes lumber produced on a custom cutting basis for customers who have previously purchased the logs

2 B.C. operations

3 Gross sales before duties and export taxes

Quarter 4, 2007 Compared to Quarter 4, 2006

Overview

The Company recorded a net loss of \$8.9 million or \$0.19 per share for the fourth quarter of 2007 compared to net earnings of \$77.2 million or \$1.60 per share for the fourth quarter of 2006. The results for the fourth quarter of 2006 included a U.S. duty refund of US\$105.6 million and related interest of US\$13.3 million, net of a Softwood Lumber Agreement (“SLA”) special charge of \$24.4 million, which positively impacted net earnings and net earnings per share, by \$72.2 million, and \$1.50 per share, respectively. EBITDA and Adjusted EBITDA for the fourth quarter of 2007 were \$(4.6) million and \$(4.7) million, respectively, compared to \$115.0 million and \$11.5 million, for the comparative quarter in 2006.

The lower operating earnings for the fourth quarter of 2007 reflected weak structural lumber prices, the weaker US dollar and a 15% export tax, all of which adversely impacted sales realizations and log and lumber inventory valuations. The financial results were also negatively impacted by the USW strike action at the Company’s B.C. Coastal manufacturing operations, as well as higher stumpage rates on the B.C. Coast, and lower residual chip prices. Partly offsetting these factors in the fourth quarter of 2007 were improved cedar prices, lower log costs in the U.S. Pacific Northwest (“Pacific Northwest”) and a forestry and engineering cost recovery (\$3.4 million) from the Province of British Columbia (“F&E cost recovery”).

Sales

Lumber shipments were down 65 million board feet, or 28.8%, for the fourth quarter of 2007 compared to the same quarter of 2006, reflecting lower operating rates in all regions resulting from the challenging structural lumber and currency markets, and the USW strike. Unit lumber sales values over the same period were down \$94 per mfbm, or 17.5%, as the stronger Canadian dollar, lower structural lumber prices and a lower-value sales mix (due to the USW strike), outweighed higher cedar and Japanese hemlock prices. Compared to the fourth quarter of 2006, the Canadian dollar was up 15.8 cents, or 13.8%, relative to its U.S. counterpart, while the average Random Lengths (“RL”) Western SPF 2x4 2&Btr price was down US\$16 per mfbm, or 6.4%.

Pulp chip and by-product revenues for the fourth quarter of 2007 were down \$5.0 million, or 41.0%, compared to the same quarter of 2006, with sales volumes down due to the decline in sawmill operating rates. Average values were down \$12 per mfbm, reflecting the impact on realizations from the stronger Canadian dollar coupled with oversupply in the Pacific Northwest region. Log sales were up \$3.0 million, or 9.2%, with higher unit prices offsetting lower sales volumes due to the USW strike.

Other sales revenues for the quarter ended December 31, 2007 were down \$7.4 million, for the most part related to the Company’s sale of its helicopter logging operation and assets (“Helifor”) in December 2006.

Operating Costs

Production costs for the fourth quarter of 2007 declined \$39.5 million, or 25.3%, compared to the same period in 2006. For the most part, the decline was explained by lower market and strike-related log and lumber production; lumber production was down 72 million board feet, or 32.4%, while B.C. log production decreased 243,000 cubic metres, or 39.4%. Other factors contributing to the decrease in costs were lower log prices in the Pacific Northwest,

as a result of weaker demand, and the F&E cost recovery in the current period, and costs associated with the Helifor operation for the comparative quarter in 2006 prior to its sale. These factors were partly offset by significantly higher B.C. Coastal stumpage rates, reflecting higher log prices.

The Canada/U.S. lumber export tax remained at 15% through the fourth quarter of 2007. Export taxes were down \$1.9 million, due to a drop of 38 million board feet in shipments and lower prices.

The Company recorded a LTIC recovery of \$1.0 million for the fourth quarter of 2007, reflecting a 16% decline in the Company's share price over the period (Quarter 4, 2006 – LTIC expense of \$1.4 million).

Amortization and depletion expense for the fourth quarter was down \$2.8 million compared to the fourth quarter of 2006, with the impact of lower operating rates more than offsetting additional amortization arising from several major capital projects completed during 2007.

Interest, Other Foreign Exchange Gain (loss), Other Income

Excluding the receipt of U.S. duty refund interest of \$12.7 million received in late 2006, interest expense did not change significantly quarter-over-quarter. The Company recorded minimal other foreign exchange losses (\$0.2 million) for the three months ended December 31, 2007, in contrast to a gain of \$2.2 million for the fourth quarter of 2006. Other income for the quarter was down \$6.4 million compared to the fourth quarter of 2006, when the Company sold its Helifor operation, remaining property at its former Fraser Mills site, and surplus logging equipment.

Income Taxes

In the fourth quarter of 2007, the Company recorded an income tax recovery of \$1.2 million related to recently enacted reductions in federal income tax rates for 2008 through 2012.

Cash Flow

Cash used by the Company from operations, after changes in working capital, was \$10.0 million for the fourth quarter of 2007, compared to cash generated of \$148.7 million for the last quarter of 2006. The decrease was principally the result of the receipt of U.S. duty refunds and related interest in late 2006, and weaker markets, the stronger Canadian dollar and to a lesser extent, the USW strike, in 2007.

Capital expenditures for the fourth quarter of 2007 totaled \$15.6 million (Quarter 4, 2006 - \$21.1 million). Spending comprised \$9.0 million on discretionary projects, the significant majority of which was on the new \$100 million Adams Lake sawmill, \$2.4 million on maintenance projects and \$4.2 million on roads. There were no shares purchased under the Company's Normal Course Issuer Bid ("NCIB") for the fourth quarter of 2007. The Company commenced a new NCIB, entitling it to purchase up to 1,300,000 Class A Subordinate Voting shares through the Toronto Stock Exchange, on January 8, 2008.

Cash on hand and deposits at December 31, 2007 totaled \$26.6 million, and included a US\$8.8 million deposit held in escrow with respect of the P&T acquisition, which is refundable should the transaction not complete. After deducting long-term debt of \$34.7 (US\$35.0) million, the Company ended the year with net debt of \$8.1 million (December 31, 2006 - net cash of \$107.8 million). On February 1, 2008, the Company obtained a financing commitment from its lenders to extend the maturity date of its syndicated credit facilities, and increase its Canadian operating and revolving term lines of credit from \$50 million to \$215 million.



CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months and years ended December 31, 2007 and 2006 (unaudited)

(thousands of Canadian dollars except earnings per share)	3 Months Dec. 31, 2007	3 Months Dec. 31, 2006	Year Dec. 31, 2007	Year Dec. 31, 2006
Sales	\$ 115,390	\$ 174,503	\$ 611,008	\$ 824,439
Costs and expenses:				
Production	116,528	156,025	560,348	722,275
Selling and administration	3,637	3,211	16,776	17,806
Long term incentive compensation expense (recovery)	(998)	1,380	(476)	595
U.S. countervailing and antidumping duty deposits	-	-	-	14,725
Export taxes	808	2,683	8,755	2,683
Amortization of plant and equipment (note 6)	6,774	7,802	30,129	30,073
Depletion and amortization of timber, roads and other	3,969	5,790	20,726	21,902
	130,718	176,891	636,258	810,059
Operating earnings (loss) before restructuring costs	(15,328)	(2,388)	(25,250)	14,380
U.S. duty refund, net	-	96,928	-	96,928
Restructuring costs (note 10)	(335)	-	(1,975)	(7,577)
Operating earnings (loss)	(15,663)	94,540	(27,225)	103,731
Interest expense on long-term debt	(617)	(791)	(2,835)	(3,174)
Other interest income (expense)	400	273	4,163	(241)
Interest income on U.S. duty refund, net of special charge	-	12,684	-	12,684
Other foreign exchange gain (loss)	(193)	2,166	(7,308)	2,317
Other income (note 9)	172	6,575	5,983	20,163
Equity in earnings (loss) of investee companies	(159)	253	218	2,254
	(397)	21,160	221	34,003
Earnings (loss) before income taxes	(16,060)	115,700	(27,004)	137,734
Income taxes (recovery):				
Current	(5,965)	30,910	(9,570)	28,100
Future (note 11)	(1,158)	7,576	(4,113)	14,100
	(7,123)	38,486	(13,683)	42,200
Net earnings (loss)	(8,937)	\$ 77,214	\$ (13,321)	\$ 95,534
Net earnings (loss) per share (note 12)				
Basic	\$ (0.19)	\$ 1.60	\$ (0.28)	\$ 1.97
Diluted	\$ (0.19)	\$ 1.58	\$ (0.28)	\$ 1.95

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)	Year Dec. 31, 2007	Year Dec. 31, 2006
Retained earnings, beginning of year	\$ 181,477	\$ 85,943
Net earnings (loss)	(13,321)	95,534
Retained earnings, end of period	\$ 168,156	\$ 181,477

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months and years ended December 31, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)

	3 Months Dec. 31, 2007	3 Months Dec. 31, 2006	Year Dec. 31, 2007	Year Dec. 31, 2006
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	\$ (8,937)	\$ 77,214	\$ (13,321)	\$ 95,534
Items not involving cash:				
Amortization of plant and equipment (note 6)	6,774	7,802	30,129	30,073
Depletion and amortization of timber, roads and other	3,969	5,790	20,726	21,902
Future income taxes (recovery)	(1,158)	7,576	(4,113)	14,100
Other assets	(300)	(1,974)	1,030	277
Reforestation liability	(2,256)	(3,233)	(1,336)	(2,032)
Other long-term liabilities	(570)	593	257	56
Share of earnings net (in excess) of cash distributions of investee companies (note 5)	159	(253)	4,151	(2,254)
Write-downs of property, plant, equipment and timber	-	-	-	5,868
Foreign exchange loss (gain) on translation of long term debt	(501)	1,670	(6,094)	84
Other income	(108)	(7,245)	(6,117)	(20,542)
	(2,928)	87,940	25,312	143,066
Cash generated from (used in) operating working capital:				
Accounts receivable	(2,504)	10,179	12,438	(15,037)
Inventories	12,447	(5,338)	2,791	13,603
Prepaid expenses	961	5,836	(2,289)	2,082
Accounts payable and accrued liabilities	(14,411)	17,517	(46,839)	14,370
Income taxes	(3,601)	32,554	(36,399)	28,316
	(10,036)	148,688	(44,986)	186,400
Investing activities:				
Additions to property, plant and equipment	(11,433)	(18,462)	(44,726)	(71,909)
Additions to deferred start-up costs	-	-	(959)	-
Additions to logging roads and timber	(4,200)	(2,681)	(28,340)	(18,694)
Proceeds on disposal of property, plant, equipment, roads and other	272	11,161	8,256	49,234
Deposit held in escrow for acquisition (note 17)	(8,761)	-	(8,761)	-
Investments and other assets	(1,135)	(881)	(2,010)	(2,453)
	(25,257)	(10,863)	(76,540)	(43,822)
Financing activities:				
Repurchase of share capital (note 8)	-	(1,570)	(9,846)	(4,739)
Issuance of share capital (note 8)	-	126	892	676
Increase (decrease) in bank indebtedness	-	(113)	(582)	(7,471)
	-	(1,557)	(9,536)	(11,534)
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	(418)	(2,270)	(314)	(934)
Increase (decrease) in cash	(35,711)	133,998	(131,376)	130,110
Cash, beginning of period	53,506	15,173	149,171	19,061
Cash, end of period	\$ 17,795	\$ 149,171	\$ 17,795	\$ 149,171
Supplementary disclosures (see also note 5)				
Cash interest paid (received)	\$ 217	(12,166)	\$ (1,328)	\$ (9,269)
Cash income taxes paid (received)	(1,757)	(1,820)	26,977	(701)

See accompanying notes to consolidated financial statements



CONSOLIDATED BALANCE SHEETS

December 31, 2007 and December 31, 2006 (unaudited)

(thousands of Canadian dollars)

	Dec. 31, 2007	Dec. 31, 2006
Assets		
Current assets:		
Cash	\$ 17,795	\$ 149,171
Deposit (note 17)	8,761	-
Accounts receivable	37,172	50,748
Income taxes recoverable	8,838	-
Inventories	76,429	81,150
Prepaid expenses	6,267	4,405
Future income taxes	3,083	4,179
	158,345	289,653
Investments and other assets (note 5)	9,842	13,360
Property, plant and equipment, net of accumulated amortization (note 6)	300,150	309,744
Timber and logging roads, net of accumulated depletion and amortization	55,050	47,597
Goodwill and other intangible assets	13,078	13,137
Future income taxes	7,000	445
Long-lived assets held for sale	3,239	1,210
	\$ 546,704	\$ 675,146
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 7(a))	\$ -	\$ 582
Accounts payable and accrued liabilities	49,999	95,370
Income taxes payable	-	27,439
Future income taxes payable	-	364
	49,999	123,755
Reforestation liability, net of current portion	11,874	13,210
Long-term debt (note 7(b))	34,696	40,789
Other long-term liabilities	8,859	8,602
Future income taxes	13,080	10,788
Shareholders' equity:		
Share capital (note 8)		
Class A subordinate voting shares	284,444	291,086
Class B common shares	4,080	4,080
Contributed surplus	5,408	7,720
Accumulated other comprehensive income (loss) (note 2)	(33,892)	(6,361)
Retained earnings	168,156	181,477
	428,196	478,002
	\$ 546,704	\$ 675,146

Commitment (note 16)

Subsequent events (note 18)

See accompanying notes to consolidated financial statements

On behalf of the Board:

E.L. Sauder
Director

H.C. Kalke
Director



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the three months and years ended December 31, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)	3 Months Dec. 31, 2007	3 Months Dec. 31, 2006	Year Dec. 31, 2007	Year Dec. 31, 2006
Net earnings (loss)	\$ (8,937)	\$ 77,214	\$ (13,321)	\$ 95,534
Other comprehensive income (loss), net of income taxes (recovery):				
Net change in unrealized foreign currency translation gains (losses)	(1,172)	3,954	(27,531)	10
Other comprehensive income (loss)	(1,172)	3,954	(27,531)	10
Comprehensive income (loss)	\$ (10,109)	\$ 81,168	\$ (40,852)	\$ 95,544

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2007 and December 31, 2006 (unaudited)

(thousands of Canadian dollars)	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006
Accumulated other comprehensive loss, beginning of year (note 2)	\$ (6,361)	\$ (6,371)
Other comprehensive income (loss)	(27,531)	10
Accumulated other comprehensive loss, end of period	\$ (33,892)	\$ (6,361)

See accompanying notes to consolidated financial statements

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months and years ended December 31, 2007 and 2006 (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, 2007.

2. Adoption of changes in accounting policies:

Commencing January 1, 2007, the Company adopted five new Canadian Institute of Chartered Accountants ("CICA") accounting standards: (a) Handbook Section 1530, *Comprehensive Income*, (b) Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, (c) Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, (d) Handbook Section 3865, *Hedges*, and (e) Handbook Section 1506, *Accounting Changes*. The main requirements of these new standards and the resulting financial statement impact are described below.

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period as a result of adopting the accounting changes, other than to classify unrealized foreign currency translation gains or losses on net investments in self-sustaining foreign operations in accumulated other comprehensive income (loss) within Shareholders' Equity. Interfor has determined that the adoption of these standards has no cumulative prior period financial effect on its opening fiscal 2007 retained earnings. The effect of the adoption of these standards is described in the following table:

	As at Dec. 31, 2006	Adjustment upon adoption of new standards	As at Jan. 1, 2007
Shareholders' Equity			
Cumulative translation adjustment	\$ (6,361)	\$ 6,361	\$ -
Accumulated comprehensive income (loss)	-	(6,361)	(6,361)

(a) Comprehensive Income:

Section 1530 introduces the term Comprehensive income ("CI") which is composed of the Company's net income and other comprehensive income ("OCI"). OCI includes changes in unrealized gains and losses on available-for-sale financial assets, unrealized foreign currency translation gains or losses on the net investment in foreign self-sustaining foreign operations and changes in the fair value of derivative instruments designated as cash flow hedges, all net of income taxes. As a result of adopting these standards, a new Statement of Comprehensive Income now forms part of the Company's consolidated financial statements and discloses the current period net earnings (loss) and OCI. Cumulative changes in OCI are included in Accumulated other comprehensive income (AOCI), which is presented as a new category of Shareholders' Equity in the Balance Sheet.

(b) Financial Instruments – Recognition and Measurement:

Section 3855 requires all financial instruments to be classified as one of the following: held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Financial instruments held-for-trading are measured at fair value with changes in those fair values recognized in the Statement of Operations. Financial instruments held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost. Available-for-sale financial instrument are measured at fair value, with unrealized gains and losses recorded in OCI until realized, at which time they will be recorded in the Statement of Operations. Available-for-sale equity securities which do not have a quoted market price continue to be recorded at cost.

The adoption of this new standard had no effect on the consolidated financial statements of the Company.

(c) Financial instruments – Disclosure and Presentation:

Section 3861 sets out standards which address the presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed. These standards also revised the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial instruments that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial assets and financial liabilities classified as other than held-for-trading; and provide several new requirements for disclosures about fair value (see note 15).

Where transaction costs are related to a financial instrument, the transaction costs will be netted against that financial instrument and amortized on the same basis as the related financial instrument. Transaction costs which arise on the granting of a credit line may not have a balance against which to net, as in the case of an operating line which is unutilized. In this case the transaction cost is included in investments and other assets and amortized on a straight line basis over the life of the credit facility to which it relates.

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, 2007 and 2006 (unaudited)

2. Adoption of changes in accounting policies (continued):

(d) Hedges:

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for fair value hedges, cash flow hedges, and hedges of the net investment in a self-sustaining foreign operation. In hedge accounting, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recognized in net income, when appropriate to do so. The change in fair value of the hedged item, to the extent the underlying hedging relationship is effective, is offset by changes in the fair value of the derivative. The effective portion of the change in the fair value of the hedging derivative will be recognized in OCI. The ineffective portion will be recognized in net income. The amounts recognized in OCI will be reclassified to net income in the periods in which net income is affected by the variability of the hedged item. For a net investment hedge, these amounts are recognized in income when the corresponding cumulative translation adjustments from the self-sustaining foreign operation are recognized in income as a result of a dilution or sale of the net investment, or reduction in equity of the foreign operation as a result of dividend distributions.

The Company has chosen not to designate its derivative financial instruments, including interest rate swaps and forward foreign exchange contracts and options, as hedges. Consequently, derivatives for which hedge accounting is not applied are carried on the Balance Sheet at fair value with changes in fair value being recorded in the Statement of Operations. The adoption of this new standard for fair value and cash flow hedges has had no effect on the consolidated financial statements of the Company.

The adoption of this new standard for net investment hedges has had no financial impact on the consolidated financial statements of the Company. The unrealized foreign currency adjustments arising from translation of self-sustaining foreign operations were previously reported separately as a cumulative translation adjustment within Shareholders' Equity in the Balance Sheet, and now form part of ACOI.

(e) Accounting Changes:

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively, unless doing so is impracticable, changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this standard cannot be determined until such time as the Company makes a change in accounting policy other than one resulting from implementation of new CICA Handbook standards.

3. Comparative figures:

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

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. Distribution by investee company:

On January 2, 2007, the Seaboard Partnership ("Seaboard") declared a distribution to its partners of which the Company's share of \$4,369,000 was received and, in accordance with equity accounting, was recorded as a reduction of the investment in Seaboard. In the first quarter of 2006, the Company received a distribution of \$54,354,000 which was received by way of setoff against an advance and the promissory note payable to Seaboard and was also recorded as a reduction of the investment in Seaboard.

6. Property, plant and equipment:

In light of significant capital improvements and sawmill rebuilds undertaken in 2006 and early 2007, the Company performed a review of its estimates of remaining economic useful life of its plant and equipment. This resulted in a revision of amortization rates for certain operations to align with current estimates of economic useful life and designed capacity. The recalculated amortization rates have been applied on a prospective basis, starting in the second quarter of 2007, and did not have a material impact on amortization expense.

At December 31, 2007, property, plant and equipment includes \$19,610,000 for the construction of the Adams Lake Sawmill rebuild, which is expected to be completed by the end of 2008.

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, 2007 and 2006 (unaudited)

7. Cash, bank indebtedness and long-term debt:

(a) Bank indebtedness:

	Canadian Operating Facility	U.S. Operating Facility	Total
2007			
Available line of credit	\$ 40,000	\$ 9,913	\$ 49,913
Maximum borrowing available	40,000	9,913	49,913
Unused portion of line	35,182	9,794	44,976
Outstanding letters of credit included in line utilization	4,818	119	4,937
2006			
Available line of credit	\$ 60,000	\$ 17,481	\$ 77,481
Maximum borrowing available	60,000	12,206	72,206
Unused portion of line	55,310	12,066	67,376
Outstanding letters of credit included in line utilization	4,690	140	4,830

The Company renewed its existing Canadian operating line of credit ("Operating Line") in 2007, reducing the maximum available operating credit to \$40,000,000 (2006 - \$60,000,000). The Operating Line bears interest at bank prime plus a margin depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans. Borrowings levels under the line are subject to a borrowing base calculation dependent upon certain accounts receivable and inventories. The Operating Line is secured under a general security agreement, including accounts receivable and inventories, 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 25, 2008. The Company received a financing commitment from its lenders on February 1, 2008, increasing the Operating Line (see note 18(a)).

The Company renewed its existing U.S. operating line of credit ("U.S. Line") in 2007. The terms and conditions of the line remained unchanged, except for a reduction in the maximum available operating credit to US\$10,000,000 (2006 - US\$15,000,000). The U.S. Line is subject to a borrowing base calculation dependent upon certain accounts receivable and inventories of the Company's subsidiary, Interfor Pacific, Inc. ("IPI"). As at December 31, 2007, the maximum borrowing available was US\$10,000,000 (2006 - US\$10,474,000), of which US\$9,880,000 (2006 - US\$10,354,000) was unused. The line utilization includes outstanding letters of credit of US\$120,000 (2006 - US\$120,000). 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 receivables and inventories of IPI and is subject to certain financial covenants including a maximum ratio of total debt to total capitalization. The line matures on April 25, 2008.

(b) Long-term debt:

The Company amended its existing Canadian revolving line of credit ("Revolving Line") in 2007 to reduce the available credit to \$10,000,000 (2006 - \$40,000,000), but has the ability to increase the maximum borrowing available on the Revolving Line to \$100,000,000, subject to the consent of the lenders. The line matures on April 25, 2008. The Revolving Line bears interest at bank prime plus a margin depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans. The line matures on April 25, 2008. The Company received a financing commitment from its lenders on February 1, 2008, increasing the Revolving Line (see note 18(a)).

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.

The US dollar non-revolving term line (the "Non-Revolving Line") remains fully drawn at US\$35,000,000 (2006 - US\$35,000,000) and was revalued at the year-end exchange rate to CAD\$34,696,000 (2006 - CAD\$40,789,000). 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 under a general security agreement, as well as through mortgages on sawmill real properties and charges against timber tenures. The lines 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 follows:

2008	\$	-
2009		34,696
2010		-
2011		-
2012		-
	\$	34,696

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, 2007 and 2006 (unaudited)

8. Share capital:

The Company has repurchased Class A shares through normal course issuer bids and the facilities of the Toronto Stock Exchange. During 2007 the Company acquired 1,220,100 Class A shares (2006 – 691,700) at a total cost of \$9,846,000 (2006 - \$4,739,000) and the shares were cancelled as purchased. The excess of the cost of the shares over the assigned value totaled \$2,312,000 (2006 - \$466,000) and has been charged to contributed surplus. In January, 2008 the Company commenced another share buy-back program (see note 18(b)).

The transactions in share capital are described below:

	3 Months Dec. 31, 2007	3 Months Dec. 31, 2006	Year Dec. 31, 2007	Year Dec. 31, 2006
Acquisitions under normal course issuer bid				
Number of shares purchased and cancelled	-	233,500	1,220,100	691,700
Cost	\$ -	\$ 1,570	\$ 9,846	\$ 4,739
Excess of cost of shares over assigned value charged to contributed surplus	-	129	2,312	466
Shares issued on exercise of options				
Number of shares	-	28,500	189,280	149,580
Proceeds	\$ -	\$ 126	\$ 892	\$ 676

9. Other income:

	3 Months Dec. 31, 2007	3 Months Dec. 31, 2006	Year Dec. 31, 2007	Year Dec. 31, 2006
Gain on disposal of investments, surplus property, plant, equipment and roads	\$ 117	\$ 7,245	\$ 4,767	\$ 21,377
Gain on settlement of timber takeback	-	-	1,350	-
Other (expense), net	55	(670)	(134)	(1,214)
	\$ 172	\$ 6,575	\$ 5,983	\$ 20,163

In addition to the sale of its interest in Tree Farm Licence 54 in the first quarter of 2007, the Company continued its disposal of surplus property, plant and equipment throughout 2007. These dispositions combined to generate sales proceeds of \$6,906,000 and a gain of \$4,767,000.

Under the terms of the Forest Revitalization Act, the Company received \$1,350,000 in additional compensation for lost infrastructure and road construction costs resulting from the 2003 legislated takeback of certain logging rights on the B.C. Coast. This was recorded as proceeds on the disposal of roads in the third quarter of 2007.

During the first quarter of 2006, the Company completed the sale of its sawmill located in Marysville, Washington for 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.

During the second quarter, 2006, the Company completed the sale of surplus properties in Squamish, B.C. for sale proceeds of \$10,533,000 and a gain of \$8,510,000. 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 second quarter of 2006 for proceeds of \$4,730,000 and a gain of \$1,574,000.

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.

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.

10. Restructuring costs and write-downs of plant and equipment:

	3 Months Dec. 31, 2007	3 Months Dec. 31, 2006	Year Dec. 31, 2007	Year Dec. 31, 2006
Property, plant, equipment and timber write-downs	\$ -	\$ -	\$ -	\$ 5,868
Severance and other restructuring costs	335	-	1,975	1,709
	\$ 335	\$ -	\$ 1,975	\$ 7,577

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, 2007 and 2006 (unaudited)

10. Restructuring costs and write-downs of plant and equipment (continued):

During the fourth quarter of 2007, the Company recorded net severance costs of \$587,000, bringing total severance costs to \$1,850,000 for the year, and recovered \$252,000 in other restructuring costs previously expensed. In addition, the Company recorded \$377,000 for logging phase contractor buyouts and other restructuring in the second quarter.

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 2006 and prior years as restructuring costs, the recovery served to offset additional severance costs for these workers recorded in 2006.

In the second quarter of 2006, the Company reviewed the valuation of certain B.C. coastal assets which it did not consider to be part of its future core operations. An impairment charge of \$5,868,000 was recorded in the quarter to reduce the carrying values of these assets to estimated fair values. The Company also recorded severance charges of \$1,203,000 and \$2,193,000 in the first and second quarters of 2006, respectively.

11. Income tax expense (recovery):

The Company recorded an income tax recovery of \$13,683,000 for 2007 (2006 – expense of \$42,200,000) with an overall effective income tax rate of 50.7% (2006 – 30.64%). The benefit of reductions in income tax rates recently legislated for 2008 through 2012 totalled \$1,171,000 and contributed to the future income tax recovery recorded in the fourth quarter of 2007.

12. Net earnings (loss) per share:

	3 months Dec 31, 2007			3 months Dec 31, 2006		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	\$ (8,937)	47,105	\$ (0.19)	\$ 77,214	48,217	\$ 1.60
Share options	-	332*	-	-	536	-
Diluted earnings (loss) per share	\$ (8,937)	47,105*	\$ (0.19)	\$ 77,214	48,753	\$ 1.58

	Year Dec 31, 2007			Year Dec 31, 2006		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	\$ (13,321)	47,575	\$ (0.28)	\$ 95,534	48,482	\$ 1.97
Share options	-	556*	-	-	583	-
Diluted earnings (loss) per share	\$ (13,321)	47,575*	\$ (0.28)	\$ 95,534	49,065	\$ 1.95

*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.

13. 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 U.S. Pacific Northwest, U.S.A.

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

	3 Months	3 Months	Year	Year
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Canada	\$ 52,953	\$ 71,139	\$ 222,276	\$ 263,648
United States	47,013	70,909	272,571	424,253
Japan	3,845	14,969	51,402	67,104
Other export	11,579	17,486	64,759	69,434
	\$ 115,390	\$ 174,503	\$ 611,008	\$ 824,439

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, 2007 and 2006 (unaudited)

13. Segmented information (continued):

Sales by product line are as follows:

	3 Months Dec. 31, 2007	3 Months Dec. 31, 2006	Year Dec. 31, 2007	Year Dec. 31, 2006
Lumber	\$ 70,754	\$ 120,459	\$ 434,468	\$ 625,552
Logs	35,617	32,628	118,571	103,250
Wood chips and other by products	7,169	12,146	50,260	41,868
Other	1,850	9,270	7,709	53,769
	\$ 115,390	\$ 174,503	\$ 611,008	\$ 824,439

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

	Dec. 31, 2007	Dec. 31, 2006
Canada	\$ 232,988	\$ 210,387
United States	138,529	161,301
	\$ 371,517	\$ 371,688

14. Employee future benefits:

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

	3 Months Dec. 31, 2007	3 Months Dec. 31, 2006	Year Dec. 31, 2007	Year Dec. 31, 2006
Defined contribution plan	\$ 261	\$ 305	\$ 1,688	\$ 1,470
Defined benefit plan	(183)	(3)	177	355
Unionized employees' pension plan	160	533	1,476	3,215
U.S. employees benefit plan	121	100	582	588
Senior management supplementary pension plan	(121)	118	192	825
Total pension expense	\$ 238	\$ 1,053	\$ 4,115	\$ 6,453

15. Financial instruments:

(a) Fair value of financial instruments:

At December 31, 2007, the fair value of the Company's long-term debt approximated its carrying value of \$34,696,000 (2006 - \$40,789,000) as the long-term debt bore 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, 2007, the Company has outstanding obligations to sell a maximum of US\$6,000,000 at an average rate of CAD\$1.00 and Japanese ¥120,000,000 at an average rate of ¥107.68 to the CAD\$1.00 and €100,000 at an average rate of 1.4711 to the CAD\$1.00 during 2008. All foreign currency gains or losses to December 31, 2007 have been recognized in the statement of operations.

During September 2005, the Company entered into a cross currency interest rate swap. The Company has agreed to receive US\$20,000,000 at maturity on September 1, 2009 in exchange for payment of CAD\$23,530,000 (an exchange rate of 1.1765). In addition, during the term of the swap the Company will pay an amount based on the 5.84% annual interest rate on the CAD\$23,530,000 and will 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 on the swap recognized in the Statement of Operations.

(c) Hedge of investment in self-sustaining foreign operation:

The Company had previously designated its US dollar Non-Revolving Line as a hedge against its investment in its self-sustaining U.S. operations. Effective April 1, 2007, the Company terminated the designation of the hedging relationship and discontinued its hedge accounting. Previously recognized unrealized foreign exchange gains of \$5,544,000 as a result of applying hedge accounting continue to be recorded in Accumulated Other Comprehensive Income. Unrealized foreign exchange gains of \$5,716,000 arising subsequent to termination of the designation of the hedge relationship have been recorded in Other foreign exchange gain (loss) in the Statement of Operations.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months and years ended December 31, 2007 and 2006 (unaudited)

15. Financial instruments (continued):

(d) Sale of receivables:

On December 15, 2006, the Company terminated its agreement to sell designated trade receivables, with limited recourse, to a Trust. In July, 2006 the Company had reduced securitized receivables from \$25,000,000 to nil, resulting in a corresponding increase in accounts receivable.

16. Commitment:

The Company has undertaken obligations under various contracts totalling \$24,330,000 as at December 31, 2007 relating to construction of a new sawmill at its Adams Lake operation in the southern B.C. Interior. These amounts are expected to be paid over the next year.

17. Acquisition of Pope and Talbot, Inc. sawmills:

The courts overseeing the creditor restructuring of Pope and Talbot, Inc. ("P&T") in Canada and the United States have approved the sale of two southern B.C. interior sawmills and their related timber tenures and one sawmill in South Dakota to the Company for US\$69,000,000 plus working capital and other adjustments. The transaction has also been approved by the Canadian Competition Bureau and the U.S. anti-trust authorities. Completion of the transaction remains conditional upon receipt of certain other regulatory approvals which are expected to be granted late in the first quarter, or early in the second quarter of 2008. The Company has paid a US\$8,800,000 deposit held in escrow in respect of this transaction, which is refundable should the transaction not complete due to circumstances beyond the Company's control.

The Company has also reached an agreement to sell the Spearfish, South Dakota sawmill, being acquired as part of the P&T transaction to Neiman Enterprises, Inc., a family owned company based in Wyoming, for US\$14,000,000 plus working capital. The sale of the Spearfish sawmill will close concurrently with the P&T transaction.

18. Subsequent events:

(a) Bank financing

On February 1, 2008, the Company obtained a financing commitment from its lenders to increase and extend its syndicated credit facilities. The Operating Line will increase from \$40,000,000 to \$100,000,000. The Revolving Line will increase from \$10,000,000 to \$115,000,000. The existing US\$35,000,000 Non-Revolving Line remains unchanged. The financing will close on the earlier of the P&T sawmill acquisition date or April 25, 2008. In the event that the P&T sawmill acquisition completes later than April 25, 2008, \$55,000,000 of the Revolving Line will be made available on April 25, 2008, with the remainder of \$60,000,000 made available when the P&T transaction completes. The Operating Line will mature 364 days from the financing closing date and the Revolving Line will mature three years from the financing closing date. All other terms and conditions of the lines remain substantially unchanged.

(b) Normal Course Issuer Bid

On January 3, 2008, the Company received approval to make a normal course issuer bid to acquire up to 1,300,000 Class A shares (representing approximately 2.8% of the outstanding Class A shares as at December 31, 2007) through the facilities of the Toronto Stock Exchange. Any Class A shares purchased by the Company will be at market prices and will be cancelled as purchased. The program commenced on January 8, 2008 and will terminate on the earlier of the date on which the Company has acquired 1,300,000 Class A shares and January 7, 2009.



International Forest Products Limited
P.O. Box 49114, Four Bentall Centre
3500 – 1055 Dunsmuir Street
Vancouver, B.C. Canada V7X 1H7
Telephone: (604) 689-6800 Fax: (604) 688-0313

Contact: John Horning, Senior Vice-President, Chief Financial Officer
and Corporate Secretary
Web Site: www.interfor.com