



## PRESS RELEASE

### International Forest Products Limited

Vancouver, B.C.

April 28, 2005

## Interfor Earns \$10.9 Million in the 1<sup>st</sup> Quarter of 2005

### OPERATING RESULTS

**International Forest Products Limited** (“Interfor” or the “Company”) (TSX: IFP.SV.A) recorded net earnings of \$10.9 million or \$0.22 per share in the 1<sup>st</sup> Quarter of 2005 compared to net earnings of \$15.2 million or \$0.31 per share in the immediately preceding quarter, and net earnings of \$0.9 million or \$0.02 per share in the 1<sup>st</sup> Quarter of 2004. The 1<sup>st</sup> Quarter results include “other income” of \$6.9 million (\$4.5 million after-tax or \$0.09 per share) related to compensation for the loss of forest tenure (discussed below) and gains on disposals of surplus assets.

“From an operating standpoint, the results achieved in the 1<sup>st</sup> Quarter represent a significant improvement over those achieved in the 4<sup>th</sup> Quarter of 2004”, said Duncan Davies, Interfor’s President and C.E.O. “The combination of higher prices and lower operating costs led to strong results from our Interior and U.S. Operations. Our Coastal Operations also generated better results in the 1<sup>st</sup> Quarter,” said Davies “although results still remain at less-than-acceptable levels.”

Strong results from Seaboard Shipping Company Limited (“Seaboard”) also contributed positively to the Company’s 1<sup>st</sup> Quarter results.

Lumber shipments totalled 256 million board feet in the 1<sup>st</sup> Quarter compared to 272 million board feet in the preceding three months, while sales revenue declined to \$193 million from \$213 million in the 4<sup>th</sup> Quarter. EBITDA from continuing operations was \$21.2 million compared to \$15.0 million in the 4<sup>th</sup> Quarter. In the 1<sup>st</sup> Quarter of 2004 EBITDA from continuing operations was \$11.8 million.

During the 1<sup>st</sup> Quarter Interfor paid \$6.9 million (\$4.4 million after tax or \$0.09 per share) in deposits for countervailing and antidumping duties on shipments of 62 million board feet from Canada to the U.S. At the end of the 1<sup>st</sup> Quarter Interfor had paid total deposits of US\$72.9 million (CAD \$88.5 million utilizing March 31, 2005 exchange rates) since the requirement came into effect in May 2002.

### COMPENSATION AGREEMENT REACHED WITH B.C. GOVERNMENT

In late March Interfor reached agreement with the B.C. Government on compensation for the loss of forest tenure under the government’s timber reallocation program. Under this agreement, Interfor received \$22.1 million including \$17.6 million related to the loss of tenure and \$4.5 million as an advance payment against lost infrastructure and road construction costs. The final amounts for infrastructure and road construction costs are still being negotiated.

As a result of this agreement Interfor has included \$7.7 million in pre-tax income in its 1<sup>st</sup> Quarter accounts. Of this amount, \$1.3 million was recorded as a recovery of production costs and \$6.4 million was recorded as “Other income”.

## **CASH FLOW AND BALANCE SHEET**

During the 1<sup>st</sup> Quarter Interfor generated \$17.3 million in cash from operations before changes in working capital, and \$18.3 million after changes in working capital were considered.

Capital spending in the 1<sup>st</sup> Quarter amounted to \$23.9 million including \$5.0 million on roads, \$2.9 million on maintenance projects, \$15.2 million on discretionary projects and \$0.8 million on land development.

The discretionary spending includes \$10.3 million related to the rebuild of the Company’s New Westminster Sawmill. The rebuilt mill – which has been renamed “Queensboro” to reflect the original name of the surrounding area – recommenced operations in early April and is expected to reach pro forma production levels in late 2005.

In addition, during the 1<sup>st</sup> Quarter, Interfor received a cash distribution from Seaboard of \$6.3 million.

Altogether, Interfor’s net debt was reduced in the 1<sup>st</sup> Quarter by \$21.3 million to stand at \$34.6 million, or the equivalent of 8% of invested capital. This compares to a ratio of net debt to invested capital of 13% at the end of the 4<sup>th</sup> Quarter.

## **FLORAGON ACQUISITION**

On April 6<sup>th</sup> Interfor reached agreement to acquire the assets of Floragon Forest Products Molalla Inc. and related entities (“Floragon”) for US\$50 million plus an amount for inventories. In addition, the vendors may qualify for an incentive payment based on the financial performance of the Floragon operation in the twelve months following the closing. From a product and market standpoint, the Floragon operation is an excellent fit with Interfor’s operations in Washington and Oregon. The mill has been significantly upgraded in recent years and is well-positioned from a log supply standpoint.

The transaction is scheduled to close on May 31, 2005 and is expected to be immediately accretive to Interfor’s earnings.

## **SALE OF WESTERN STEVEDORING INTEREST**

On April 21<sup>st</sup> Interfor announced the sale by Seaboard of its 50% interest in Western Stevedoring Company Limited (“Western”). Interfor has received proceeds from this transaction of approximately \$27.7 million which will result in \$20.1 million after-tax gain. The gain will be included in equity income in Interfor’s 2<sup>nd</sup> Quarter results.

## **CAPITAL EXPENDITURE PROGRAM**

At its meeting today, Interfor’s Board of Directors authorized a \$25.0 million increase in spending on high-return discretionary projects for 2005. This initiative will see the cash received from the sale of Western used to accelerate the timing of projects which are consistent with the Company’s strategy of investing in core operations to achieve top quartile performance.

## **OUTLOOK**

After ramping up through much of the 1<sup>st</sup> Quarter in response to strong demand, the price of structural products in the North American market began to soften in the first part of April. The price of the benchmark SPF 2X4 is currently trading at US\$375 – \$380 per thousand board feet compared to US\$410 - \$415 in early March and could slide even further if the pace of new home construction begins to moderate.

The cedar market has been slow as a result of weather-related delays in the upper Midwest and Northeast regions of the U.S. Activity is expected to pick up with the return of better weather. Prices are expected to remain flat through the balance of the year.

The price of hemlock structural products in Japan stabilized in the 1<sup>st</sup> Quarter as a result of lower shipments and is expected to remain stable in the near-term. The price of Douglas fir products, on the other hand, weakened in the 1<sup>st</sup> Quarter as a result of aggressive pricing by a major Japanese producer and is likely to remain weak in the near-term.

Interfor expects to operate its Interior and U.S. sawmill operations on a normal basis in the 2<sup>nd</sup> Quarter and will benefit to the extent that the Floragon transaction completes, as expected, at the end of May. The Company's Coastal sawmills will operate on a reduced basis in the 2<sup>nd</sup> Quarter – with the Field mill likely to remain curtailed. Production from the rebuilt Queensboro mill will add to the Company's total production volume and sales in the 2<sup>nd</sup> Quarter.

Logging operations in the Coastal Region will begin to ramp up in the 2<sup>nd</sup> Quarter.

Interfor will continue its initiative to identify and realize on complementary opportunities in the Interior and U.S. Pacific Northwest and in attractive product lines. In addition, the initiative to streamline the Company's operational configuration will continue.

## **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 from Continuing Operations. EBITDA represents earnings before interest, taxes, depletion, amortization and restructuring costs and write-downs of plant and equipment. EBITDA from Continuing Operations represents EBITDA less other income. 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.

## **SELECTED STATISTICS**

**Three Months Ended  
March 31**

	<b><u>2005</u></b>	<b><u>2004</u></b>
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Lumber volume (MMfbm)		
- Sales	256	189
- Production <sup>(1)</sup>	253	204
Log Volume (000 m <sup>3</sup> )		
- Production	433	576
Prices (\$/Mfbm)		
- Lumber <sup>(2)</sup>	578	620
- Pulp Chips	21	35
Shares Outstanding (millions)		
- Total at period end <sup>(3)</sup>	48.7	48.4
- Weighted average	48.7	48.4

<sup>(1)</sup> excluding volumes custom cut for third parties

<sup>(2)</sup> FAS basis, net of duty

<sup>(3)</sup> as of April 27, 2005 the number of shares outstanding by class are as follows:

Class A	Class B	Total
47,656,276	1,015,779	48,672,055

## **ABOUT INTERFOR**

Interfor is one of the Pacific Northwest's largest producers of quality wood products for sale to markets around the world. The Company has operations in British Columbia, Washington and Oregon, including five sawmills in the Coastal region of B.C., one in the B.C. Interior, two in Washington and one in Oregon. Interfor is currently in the process of acquiring the assets of Floragon Forest Products Molalla Inc, located in Northwest Oregon. In addition, Interfor operates a number of value-added remanufacturing and specialty products facilities in B.C. and Washington.

Additional information relating to the Company and its operations, including Interfor's Annual Statutory Information for 2004, can be found on its website at [www.interfor.com](http://www.interfor.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

There will be a conference call on Friday, April 29, 2005 at 8:00 AM (Pacific Daylight Time) hosted by **INTERNATIONAL FOREST PRODUCTS LIMITED** for the purpose of reviewing the Company's release of its First Quarter 2005 Financial Results. The dial-in number is ***1-800-818-6210***.

The conference call will also be recorded for those unable to join in for the live discussion. The number to call is ***1-800-558-5253 Reservation 21243005#*** and will be available until May 13, 2005.

William L. Sauder  
Chairman

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

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



**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the three months ended March 31, 2005 and 2004 (unaudited)**

(thousands of Canadian dollars except earnings per share)	3 Months Mar. 31, 2005	3 Months Mar. 31, 2004
<b>Sales</b>	\$ 192,926	\$ 170,194
<b>Costs and expenses:</b>		
Production	160,516	145,969
Selling and administration	7,188	6,031
U.S. countervailing and antidumping duty deposits (note 8(a))	6,886	8,567
Amortization of plant and equipment	6,146	5,285
Depletion and amortization of timber, roads and other	5,106	5,879
Restructuring costs	-	600
	<b>185,842</b>	<b>172,331</b>
<b>Operating earnings (loss)</b>	<b>7,084</b>	<b>(2,137)</b>
Interest expense on long-term debt	(764)	(140)
Other interest expense	(274)	(415)
Other income (note 5)	6,942	1,121
Equity in earnings of investee companies	2,832	2,154
	<b>8,736</b>	<b>2,720</b>
<b>Earnings before income taxes</b>	<b>15,820</b>	<b>583</b>
<b>Income taxes (recovery):</b>		
Current	2,085	400
Future	2,814	(720)
	<b>4,899</b>	<b>(320)</b>
<b>Net earnings</b>	<b>10,921</b>	<b>\$ 903</b>
<b>Net earnings per share, basic and diluted (note 6)</b>	<b>0.22</b>	<b>\$ 0.02</b>

See accompanying notes to consolidated financial statements

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**  
**For the 3 months ended March 31, 2005 and 2004 (unaudited)**

(thousands of Canadian dollars)	3 Months Mar. 31, 2005	3 Months Mar. 31, 2004
<b>Retained earnings, beginning of year</b>	<b>66,218</b>	<b>\$ 41,505</b>
<b>Net earnings</b>	<b>10,921</b>	<b>903</b>
<b>Retained earnings, end of period</b>	<b>77,139</b>	<b>\$ 42,408</b>

See accompanying notes to consolidated financial statements



**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the three months ended March 31, 2005 and 2004 (unaudited)**

(thousands of Canadian dollars)

	3 Months Mar. 31, 2005	3 Months Mar. 31, 2004
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
<b>Net earnings</b>	\$ 10,921	\$ 903
<b>Items not involving cash:</b>		
Amortization of plant and equipment	6,146	5,285
Depletion and amortization of timber, roads and other	5,106	5,879
Future income taxes	2,814	(720)
Reforestation liability	973	1,388
Other long-term liabilities	(1,159)	125
Equity in earnings of investee companies	(2,832)	(2,154)
Writedown of plant and equipment	2,283	-
Other	(6,942)	(1,121)
	17,310	9,585
<b>Cash generated from (used in) operating working capital:</b>		
Accounts receivable	2,503	(9,694)
Inventories	(1,066)	(6,271)
Prepaid expenses	1,900	782
Accounts payable and accrued liabilities	(4,308)	22,424
Income taxes	1,945	190
	18,284	17,016
<b>Investing activities:</b>		
Additions to property, plant and equipment	(18,910)	(3,394)
Additions to logging roads and timber	(5,001)	(6,123)
Proceeds on disposal of property, plant and equipment	21,960	2,674
Investments and other assets	5,805	4,163
	3,854	(2,680)
<b>Financing activities:</b>		
Issuance of share capital, net of expenses	153	81
Increase (decrease) in bank indebtedness	-	(12,951)
Repayments of long-term debt	(20,514)	-
	(20,361)	(12,870)
<b>Foreign exchange gain on cash and cash equivalents held in a foreign currency:</b>	74	-
<b>Increase in cash</b>	1,851	1,466
<b>Cash on deposit, beginning of period</b>	18,259	-
<b>Cash on deposit, end of period</b>	20,110	\$ 1,466

See accompanying notes to consolidated financial statements



## CONSOLIDATED BALANCE SHEETS

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

(thousands of Canadian dollars)

	March 31, 2005	December 31, 2004	March 31, 2004
<b>Assets</b>			
<b>Current assets:</b>			
Cash (note 4)	\$ 20,110	\$ 18,259	\$ 1,466
Accounts receivable (note 10(b))	39,725	42,228	35,972
Inventories	109,829	108,763	99,316
Prepaid expenses	8,331	10,231	5,898
Future income taxes	5,329	7,281	4,787
	183,324	186,762	147,439
<b>Investments and other assets:</b>			
Investments and advances	43,923	47,236	39,113
Deferred financing fee, net of accumulated amortization	530	509	13
	44,453	47,745	39,126
<b>Property, plant and equipment, net of accumulated amortization</b>	<b>248,392</b>	<b>235,449</b>	<b>191,216</b>
<b>Timber and logging roads, net of accumulated depletion and amortization</b>	<b>65,798</b>	<b>82,556</b>	<b>86,921</b>
<b>Goodwill and other intangible assets</b>	<b>14,011</b>	<b>14,062</b>	<b>13,862</b>
	\$ 555,978	\$ 566,574	\$ 478,564
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 81,494	\$ 85,802	\$ 91,740
Income taxes payable	2,520	579	548
	84,014	86,381	92,288
<b>Reforestation liability, net of current portion</b>	<b>17,955</b>	<b>16,982</b>	<b>17,558</b>
<b>Long-term debt</b>	<b>54,680</b>	<b>74,163</b>	<b>-</b>
<b>Other long-term liabilities</b>	<b>8,539</b>	<b>9,968</b>	<b>14,089</b>
<b>Future income taxes</b>	<b>7,201</b>	<b>6,332</b>	<b>6,397</b>
<b>Shareholders' equity:</b>			
Share capital			
Class A subordinate voting shares	294,734	294,581	293,543
Class B common shares	4,080	4,080	4,080
Contributed surplus	8,201	8,201	8,201
Cumulative translation adjustment	(565)	(332)	-
Retained earnings	77,139	66,218	42,408
	383,589	372,748	348,232
	\$ 555,978	\$ 566,574	\$ 478,564

Contingencies (note 8)

Subsequent events (note 11)

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 ended March 31, 2005 and 2004

### 1. Significant accounting policies:

These unaudited interim consolidated financial statements include the accounts of International Forest Products Limited and its subsidiaries (collectively referred to as "Interfor" or the "Company"). These interim consolidated financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with Interfor's most recent annual consolidated financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application used in the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2004.

### 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 sawmill operations. Logging operations are seasonal 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. Sawmill operations are less seasonal than logging operations but do depend on the availability of logs from the logging operations. 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. Bank indebtedness:

The Company secured a new operating line of credit with a U.S. bank in the amount of US\$15,000,000. The line is subject to a borrowing base calculation dependent upon certain accounts receivable and inventories of the Company's subsidiary, Interfor Pacific Inc. As at March 31, 2005, the maximum borrowing available was US\$12,432,000, of which US\$9,572,000 was unused. The line utilization includes outstanding letters of credit of US\$360,000. The loan bears interest at U.S. bank prime or, at the Company's option, at LIBOR plus 1¾%. The line of credit is secured by the accounts receivables and inventories of Interfor Pacific Inc. and is subject to certain financial covenants including a maximum ratio of total debt to total capitalization. The line matures on March 1, 2006.

In addition, under the Company's previously established operating line of credit, outstanding letters of credit of \$3,930,000 (2004 - \$1,600,000) brought the unused portion of that line to \$71,070,000 (2004 - \$73,400,000).

### 5. Other income:

	3 months Mar. 31, 2005	3 months Mar. 31, 2004
Gain on settlement of timber takeback	\$ 6,373	\$ -
Gain on disposal of property, plant and equipment	569	1,121
	\$ 6,942	\$ 1,121

Under the terms of the *Forest Revitalization Act*, the Company received \$22,111,000 in compensation for the loss of logging rights on the B.C. Coast, including \$17,611,000 million related to the 20% reduction in harvest volumes and a \$4,500,000 advance payment against lost infrastructure and road construction costs. \$1,300,000 was recorded as a recovery of production costs and \$20,811,000 was recorded as proceeds on the disposal of timber and roads and resulted in a net gain on settlement of timber takeback of \$6,373,000 in the quarter.

### 6. Net earnings per share:

	3 months Mar. 31, 2005			3 months Mar. 31, 2004		
	Net earnings	Shares	Per share	Net earnings	Shares	Per share
Basic earnings per share	\$ 10,921	48,655	\$ 0.22	\$ 903	48,402	\$ 0.02
Share options	-	675	-	-	615	-
Diluted earnings per share	\$ 10,921	49,330	\$ 0.22	\$ 903	49,017	\$ 0.02

## INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements  
(Tabular amounts expressed in thousands except per share amounts)  
Three months ended March 31, 2005 and 2004

### 7. 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 Mar. 31, 2005	3 months Mar. 31, 2004
Canada	\$ 52,553	\$ 58,141
United States	91,521	47,909
Japan	27,254	35,418
Other export	21,598	28,726
	<u>\$ 192,926</u>	<u>\$ 170,194</u>

Sales by product line are as follows:

	3 months Mar. 31, 2005	3 months Mar. 31, 2004
Lumber	\$ 162,094	\$ 135,173
Logs	17,357	22,422
Wood chips and other by products	8,212	8,139
Other	5,263	4,460
	<u>\$ 192,926</u>	<u>\$ 170,194</u>

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

	Mar. 31, 2005	Mar. 31, 2004
Canada	\$ 239,418	\$ 284,917
United States	88,783	7,082
	<u>\$ 328,201</u>	<u>\$ 291,999</u>

### 8. Contingencies:

#### (a) U.S. Softwood Lumber dispute:

Effective December 20, 2004, the USDOC implemented new deposit rates based on the USDOC's final rate determinations for the first Administrative review period (May 22, 2002 to March 31, 2003 for the countervailing duty case; and May 22, 2002 to April 30, 2003 for the anti-dumping duty case). The USDOC reduced the countervailing duty deposit rate to 17.18% from 18.79% and reduced the all others anti-dumping deposit rate to 4.03% from 8.43%. These rates were subsequently amended by the USDOC on January 24, 2005 (anti-dumping deposit rate was reduced to 3.78%) and February 24, 2005 (countervailing duty deposit rate was reduced to 16.37%). At the date of this report the Company's combined deposit rate is 20.15%.

The Company has recorded \$6,886,000 (2004 - \$8,567,000) for the three months ended March 31, 2005 in respect of the countervailing and antidumping duties assessed on Canadian softwood lumber exports to the United States. Cumulative duties for the period from May 22, 2002 to March 31, 2005 charged to operations total \$99,878,000 (US\$72,874,000). These total U.S. deposits translated at quarter-end exchange rates equate to CAD\$88,549,000 at March 31, 2005.

The Company and other Canadian forest product companies, the Federal Government and Canadian provincial governments ("Canadian Interests") continue to categorically deny the U.S. allegations that sales of Canadian softwood lumber into the U.S. threatens material injury to the U.S. industry. Canadian interests continue to pursue appeals of the final countervailing and dumping determinations with the appropriate courts, NAFTA panels and the WTO.

The final amount of countervailing and antidumping duties that may be assessed on Canadian softwood lumber exports to the U.S. cannot be determined at this time and will depend on appeals of the final determinations to any reviewing courts, NAFTA or WTO panels. Notwithstanding the final rates established in the investigations, the final liability for the assessment of countervailing and antidumping duties will not be determined until each annual administrative review process is complete, including appeals.

## INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements  
(Tabular amounts expressed in thousands except per share amounts)  
Three months ended March 31, 2005 and 2004

### 8. Contingencies (continued):

#### (b) B.C. Forest Revitalization Plan:

In March 2003, the Government of B.C. ("Crown") introduced the Forestry Revitalization Plan (the "Plan") that provides for significant changes to Crown forest policy and to the existing allocation of Crown timber tenures to licensees. The changes prescribed in the Plan include: the elimination of minimum cut control regulations, the elimination of existing timber processing regulations, and the elimination of restrictions limiting the transfer and subdivision of existing licenses. As well, through legislation, licensees, including the Company, will be required to return 20% of their replaceable tenure to the Crown. The Plan states that approximately half of this volume will be redistributed to open up opportunities for woodlots, community forests and First Nations and the other half will be available for public auction. The Crown has acknowledged that licensees will be fairly compensated for the return of tenure and related infrastructure costs.

In December 2004, the Crown issued Ministerial Orders to the Company specifying the timing and the volume of the take-back for replaceable tenures. Approximately 344,000 cubic metres of the Company's existing allowable annual cut on their replaceable tenures was taken in December 2004, and the balance of 235,000 cubic metres will be taken by December 31, 2005, for a total of 579,000 cubic metres. In addition, 20% of the Company's non-replaceable timber licences will also be reduced.

On March 28, 2005 the Company concluded a comprehensive agreement with the Province of British Columbia to compensate the Company for loss of forest tenure through the government's timber reallocation program. The Company received \$22,111,000 in compensation for the loss of logging rights on the B.C. Coast, including \$17,611,000 related to the 20% reduction in harvest volumes and a \$4,500,000 advance payment against lost infrastructure and road construction costs. The Company is continuing its negotiation with the Crown for further compensation for infrastructure, but the amount and timing of additional compensation is not yet determinable. The Company will record any other compensation at the time the amounts to be recorded can be estimated.

### 9. Employee future benefits:

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

	3 months Mar. 31, 2005	3 months Mar. 31, 2004
Defined contribution plan	\$ 480	\$ 476
Defined benefit plan	146	127
Unionized employees' pension plan	1,108	1,172
U.S. operations benefit plan	143	-
Senior management supplementary pension plan	78	26
Total pension expense	\$ 1,955	\$ 1,801

### 10. Financial instruments:

#### (a) Derivative financial instruments:

The Company employs financial instruments, such as interest rate swaps and foreign currency forward and option contracts, to manage exposure to fluctuations in interest rates and foreign exchange rates. The Company does not expect any credit losses in the event of non-performance by counter parties as the counter parties are the Company's bankers.

As at March 31, 2005, the Company has outstanding obligations to sell a maximum of US\$12,000,000 at an average rate of CAD\$1.2223 and Japanese ¥100,000,000 at an average rate of ¥83.24 to the CAD\$1.00 during 2005. All foreign currency gains or losses to March 31, 2005 have been recognized in the statement of operations.

There were no interest rate swaps outstanding as at March 31, 2005.

#### (b) Sale of receivables:

During 2000, the Company entered into an agreement to sell designated trade receivables, with limited recourse, to a Trust. As these trade receivables are collected, they are replaced by new receivables to maintain the aggregate outstanding balance. In the 1<sup>st</sup> Quarter of 2005, the Company renewed this agreement and extended its termination date to March 31, 2006. At March 31, 2005, the Company received cash proceeds of \$25,000,000 (2004 - \$20,000,000), from the sale of receivables.

## **INTERNATIONAL FOREST PRODUCTS LIMITED**

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2005 and 2004

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### **11. Subsequent events:**

#### **(a) Acquisition of assets of Floragon Forest Products Molalla Inc.:**

On April 6, 2005 the Company reached agreement to acquire the assets of Floragon Forest Products Molalla Inc. and Floragon Manufacturing LLC (together, "Floragon"), a sawmill in the U.S. Pacific Northwest for US\$50,000,000 plus an amount for inventories. In addition, the vendors may qualify for an incentive payment based on the financial performance of the Floragon operation in the 12 months following the closing. The transaction is scheduled to close on May 31, 2005.

The transaction will be financed through the Company's existing bank lines.

#### **(b) Seaboard Shipping Company Limited disposition of 50% interest in Western Stevedoring Company Limited:**

On April 21, 2005 Seaboard Shipping Company Limited ("Seaboard") sold its 50% interest in Western Stevedoring Limited for \$40,000,000 plus a \$2,500,000 dividend. As net earnings of Seaboard are distributed based on a percentage of shipments of product by the shareholders, the Company will participate in 71.2% of net after-tax cash proceeds, with its share totalling approximately \$27,700,000.