

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included in this annual report.

LUMBER

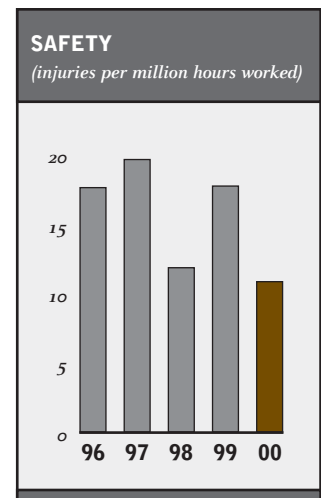
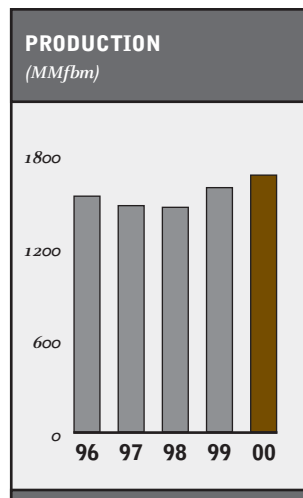
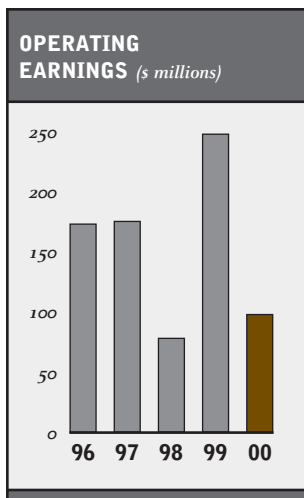
West Fraser's lumber operations had record production in 2000 despite downtime incurred due to severely depressed lumber markets. Two sawmills were acquired in the United States and a 50% interest in timber and sawmilling assets was acquired in Alberta. Continued emphasis on safety resulted in a 35% decrease in lost-time accidents.

Operating earnings for the year were \$102 million (1999-\$249 million) on external sales of \$724 million (1999-\$811 million). EBITDA was \$151 million, representing a margin of 19% of total sales

(1999-\$292 million and 33%). The decrease in earnings is attributable to a significant drop in lumber prices in the last half of the year and to the one-time charge discussed below. Five of West Fraser's sawmills established annual production records and six achieved records in lumber recovery. Production costs continued a five-year trend of decreasing year over year. Total production was 1,713 MMfbm (1999-1,638 MMfbm) and shipments were 1,637 MMfbm (1999-1,612 MMfbm).

Due to continued poor markets for coastal lumber in Asia and elsewhere and the high cost of operating in

LUMBER



the coastal areas, West Fraser reviewed its ability to operate its Prince Rupert custom-cut sawmill profitably. It was concluded that a pretax charge of \$19.8 million was necessary to bring the carrying value of the mill and related assets closer to economic value. As part of the reduction in its activities in the high-cost coastal region of British Columbia, West Fraser sold a related timber quota with 161,000 m³ of annual allowable cut.

On December 15, 2000, after investigating opportunities throughout the southern United States over the past several years, West Fraser, through a newly-formed subsidiary West Fraser (South), Inc., purchased two sawmills, one in Louisiana and one in Arkansas, and entered into a 15-year renewable agreement with a dominant timber owner in the area that will provide a majority of the sawmills' timber requirements. The sawmills have a current annual production capacity of 320 MMfbm of southern yellow pine dimension lumber. West Fraser will increase the combined capacity of these mills to 400 MMfbm and intends to apply its low-cost manufacturing approach in them.

West Fraser and the Kee Tas Kee Now Tribal Council formed Seehta Forest Products Ltd., of which West Fraser owns 50%, to purchase certain sawmilling and timber assets in Alberta. The timber tenure, which is adjacent to West Fraser's Slave Lake forestry operating area, includes 213,000 m³ of timber quota and provides substantial synergies to West Fraser's existing operations. The sawmill has a current annual production capacity of 60 MMfbm. West Fraser manages the operation and sells its output.

West Fraser spent \$50 million on sawmill capital projects in 2000, continuing its emphasis on investment

in technology throughout its operations. Typically, every year one of West Fraser's sawmills undertakes a substantial capital project having a payback of less than two years. In 2000, the Smithers mill was upgraded with some of the most advanced timber processing equipment available, which greatly increased lumber recovery and enhanced lumber quality. At the other operations, selected manufacturing components were upgraded.

A substantial portion of West Fraser's lumber production is exported to the United States. The Softwood Lumber Agreement continued to force many producers to take downtime. This included West Fraser, which curtailed production at its British Columbia sawmills for 13 days. Although the agreement will expire on March 31, 2001, there was no formal negotiation between the two countries in 2000. It is anticipated that the United States government may take steps to prevent free access of Canadian lumber to that market.

In spite of a robust housing market in the United States and Canada, lumber prices declined sharply towards the end of 2000 due to increased production throughout North America, reduced consumer confidence and increased imports from offshore. In a volatile market that saw lumber prices spike as high as US\$344 and drop to year-end levels of US\$180 (1999-US\$435 and US\$284), the average western SPF 2X4 lumber price fell to US\$257 compared to US\$343 in 1999.

Anticipated declines in interest rates should encourage housing starts and support lumber demand. Heightened production levels that contributed to the oversupply of lumber in the second half of 2000 are

beginning to decline, which should strengthen lumber prices. However, it is too early to determine how lumber prices will fare after the expiry of the Softwood Lumber Agreement.

West Fraser produced 1,029,000 tonnes of oven-dried, softwood chips (1999–966,000), almost the same volume as it consumes. Prices for softwood chips, which are based primarily on the price of market pulp, increased from 1999 due to higher market pulp pricing.

In 2000, West Fraser completed harvesting of merchantable timber burnt by the extensive fires in Alberta in 1998. A major reforestation program continues to restock both the areas salvaged and the plantations damaged by the fires. A pine beetle infestation continues to spread throughout the central interior of British Columbia. The outbreak, which began in 1994, has now reached epidemic proportions. While operations of West Fraser's sawmills have not suffered, the infestation has led to disruption of normal harvesting activity and the redirection of operations to salvage

and control measures, increasing log costs. It is likely that the infestation will last for several more years, but it is not presently expected to affect long-term timber supply.

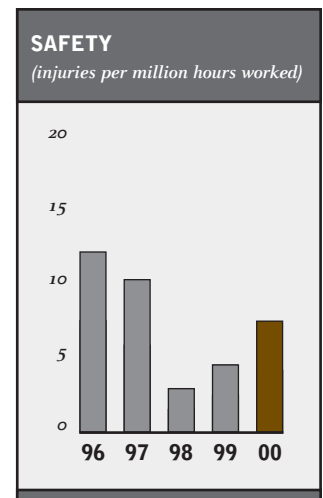
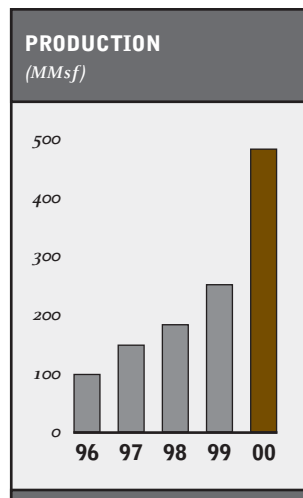
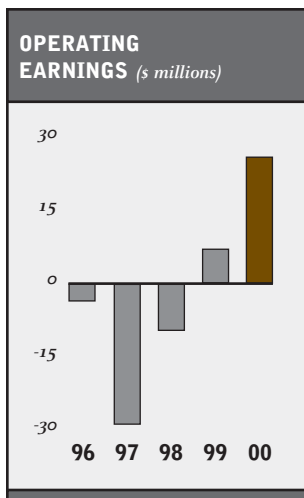
In 2000, West Fraser maintained a high compliance record with provincial forest practice regulations. This was affirmed by the successful Forest Practices Board audit of the Terrace sawmill and the continued adherence of West Fraser's Alberta operations to the Forest Care standards. West Fraser anticipates ISO 14001 certification for its forestry operations in both British Columbia and Alberta by the end of 2001.

PANELS

In 2000, West Fraser's panelboard operations established records in production, sales and operating earnings.

The operating earnings of the panel business were \$25 million (1999–\$7 million) on sales of \$199 million (1999–\$119 million). EBITDA was \$48 million, representing a margin of 24% of sales (1999–\$26 million and 22%).

PANELS



MDF

Ranger Board's production in 2000 was 135 MMsf (1999–127MMsf) and its shipments were 132 MMsf (1999–126 MMsf). This production increase was the result of equipment optimization as well as plant-wide efficiency improvements. A benchmarking survey found Ranger Board to have the lowest cost and highest productivity of MDF manufacturers in North America.

WestPine's production in 2000 was 104 MMsf (1999–88 MMsf) and shipments were 103 MMsf (1999–86 MMsf). The significant production increase is attributable to a strong emphasis on plant up-time and general efficiency improvements, which allowed the plant to operate at full capacity. In spite of significant natural gas price increases, which also affect the cost of resin, WestPine achieved a 15% cost reduction from 1999.

During 2000 both MDF operations qualified for certification under Scientific Certification System's program, the first such award in Canada. To earn this certification, both plants used 100% recovered and recycled wood fibre with at least 60% post-industrial recycled content, which also meets certain standards set by the Forest Stewardship Council.

A softening U.S. economy and high inventory levels across the industry weakened MDF markets during the second half of 2000. Increased sales of value-added products from WestPine should offset these market conditions in 2001, but a market turnaround is not expected before 2002.

Both plants had excellent safety records in 2000, marked by Ranger Board's high achievement in an external safety audit.

Plywood

Alberta Plywood completed its first full year of operation since West Fraser's acquisition of the assets in November 1999. It is now fully integrated with West Fraser's other production and forestry operations in Alberta, achieving meaningful synergies.

Plywood production in 2000 was 246 MMsf (1999–37 MMsf) and shipments were 241 MMsf (1999–38 MMsf). This production, the highest in the operation's history, is the result of productivity increases and higher recoveries at the veneer plant in Slave Lake and the plywood plant in Edmonton. A benchmarking study in 1999 established Alberta Plywood as the lowest-cost producer of softwood plywood in Canada.

Plywood prices declined in 2000 as a result of excess production in Canada and increasing competition from North American OSB. Prices are anticipated to soften further in 2001 as additional OSB capacity comes on line.

Alberta Plywood's products, representing approximately 12% of Canadian softwood plywood production, are sold primarily to wholesale distributors in Canada, and maintain a strong market share in Eastern Canada. Alberta Plywood is also gaining increasing acceptance in the U.S. market.

PULP AND PAPER

Total production of pulp, linerboard, kraft paper and newsprint reached a record level of 915,937 tonnes (1999–895,343 tonnes). Records in production, earnings, shipments and sales were achieved at each of the two mechanical pulp mills.

Operating earnings were \$122 million (1999–\$34 million) on sales of \$582 million (1999–\$486 million). EBITDA was \$174 million, representing a margin of 30% of sales (1999–\$86 million and 18%). The increase in earnings over the previous year is the result of price improvements in pulp, linerboard kraft paper and newsprint as well as the increased production and shipments of pulp. Shipments totaled 889,033 tonnes, a 5% decrease over the previous year's total of 931,215 tonnes.

Pulp

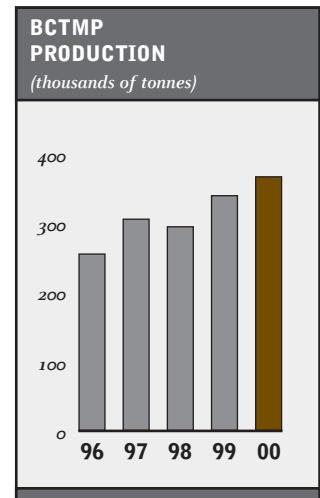
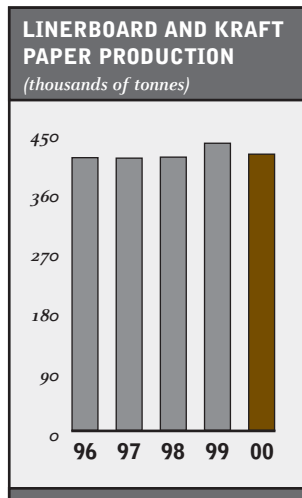
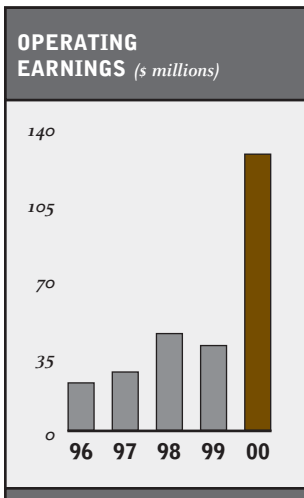
West Fraser's two BCTMP mills achieved record production of 363,310 tonnes (1999–337,390) of which 195,754 tonnes was hardwood pulp and 167,556 tonnes softwood pulp.

NBSK pulp prices increased through the first half of the year from US\$640 to US\$710. BCTMP prices, which are typically based on softwood and hardwood kraft pulp prices, increased proportionately. During the third and fourth quarters the demand for pulp, especially hardwood, fell dramatically as paper producers in Asia and other markets reduced their purchases. Due to the build-up in pulp inventories in the latter part of 2000, it is expected that pulp markets will remain soft in the first half of 2001 and may show only minor improvement in the second half.

Linerboard and Kraft Paper

The Eurocan mill produced 318,454 tonnes of linerboard and 110,719 tonnes of kraft paper for a total of 429,173 tonnes (1999–433,602 tonnes). The decrease was due to a fire in a precipitator at the steam and recovery plant that resulted in the loss of 12 operating days representing lost production of approximately 15,000 tonnes. An external operational analysis, along with internal cost reduction programs and increased employee communication initiatives, had a positive effect on operating efficiency at the Eurocan mill. Operational

PULP AND PAPER



improvements, coupled with higher mill returns, resulted in improved earnings for the year and should lead to further efficiencies and cost reductions in the coming year.

Average linerboard mill net returns improved 18% from the prior year as markets benefited from a strong pricing environment during the first half of the year, but new capacity in Asia overtook demand for imported products, leading to price reductions in the second half. Improved demand in key kraft paper markets both overseas and in North America and increased industry consolidation enabled selling prices to improve approximately 15% from the beginning of the year.

Newsprint

West Fraser's 50% share of production at Alberta Newsprint was 123,454 tonnes (1999–124,351 tonnes) and its share of shipments was 122,337 tonnes (1999 –123,132 tonnes). The volatility of electricity prices led to slightly lower production. The mill continues to be the industry benchmark for low manufacturing costs and high product quality. Newsprint from the mill, which produces mainly standard newsprint as well

as rotogravure paper, is sold exclusively within North America, mainly to newspaper publishers. In 2001 the mill will undertake a major upgrade to enhance its product quality and increase capacity.

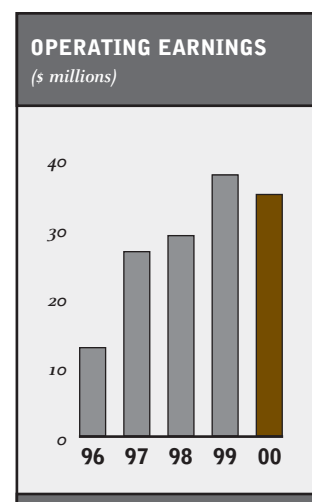
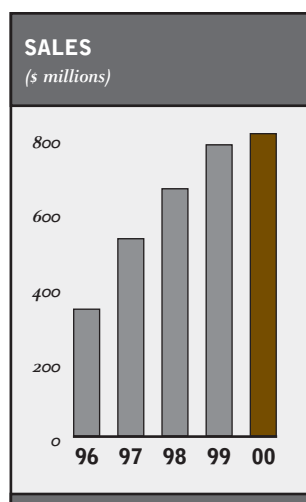
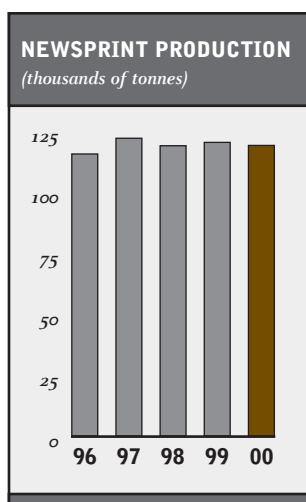
The average U.S. newsprint price in 2000 was 10% higher than in 1999, responding to strong demand and U.S. capacity constraints. Prices were increased by \$45 per tonne in the second quarter and \$50 per tonne in the fourth quarter.

RETAIL HOME IMPROVEMENT

Total sales for the year grew to a record \$805 million (1999–\$788 million) as West Fraser's retail home improvement business continued its expansion in the Toronto market by opening three stores.

Operating earnings were \$35 million (1999–\$37 million). EBITDA was \$48 million or 6% of sales (1999–\$49 million or 6%). The decrease in operating earnings and EBITDA is attributable to severely depressed building product prices, which offset increased sales in most other product lines. The overall margin on sales

RETAIL HOME IMPROVEMENT



was nevertheless increased through marketing initiatives and through higher margins on many other items.

The Greater Toronto market is highly competitive. However, the combination of the established base of Lansing Buildall and the new Revy warehouse stores should allow West Fraser's retail business to continue to operate successfully in that environment.

The Canadian economy was strong across the country in 2000 with the exception of British Columbia, which had its lowest new home sales in many years. Despite the low lumber prices, the Prairie economies contributed to strong sales. Revy's Lansing stores, with their large exposure to contractor-sales, felt the effects of lower lumber prices. While a slowing economy and increased competition will be challenging in 2001, West Fraser's retail home improvement business will continue to benefit from a strong focus on customer service and cost control.

At December 31, 2000, Revelstoke operated 56 stores with retail space of 2.9 million square feet.

EARNINGS AND REVENUE COMPARISON

Consolidated net sales for the year were \$2,309 million (1999-\$2,204 million).

CONSOLIDATED NET SALES (change from 1999)		
Lumber	DECREASE	11%
Panels	INCREASE	67%
Pulp & paper	INCREASE	20%
Retail	INCREASE	2%

EBITDA for the year was \$416 million (1999-\$447 million).

EBITDA (change from 1999)		
Lumber	DECREASE	48%
Panels	INCREASE	86%
Pulp & paper	INCREASE	102%
Retail	DECREASE	2%

Operating earnings for the year were \$279 million (1999-\$321 million).

OPERATING EARNINGS (change from 1999)		
Lumber	DECREASE	59%
Panels	INCREASE	251%
Pulp & paper	INCREASE	259%
Retail	DECREASE	5%

The increase in net sales was due to higher pulp and paper prices and an increase in production and shipments in all forest product segments, offset mainly by lower lumber prices. The increase in panel sales reflects the operation of Alberta Plywood for the full year. The EBITDA and operating earnings decrease in the lumber segment was mostly offset by the increased contributions from panels and pulp and paper.

The writedown of capital assets of \$20.8 million (1999-\$7.1 million) consists of \$19.8 million related to the sawmill located at Prince Rupert, British Columbia and \$1.0 million related to a retail property held for sale. The weak Asian lumber market and the high cost of harvesting made it necessary to reduce the mill's carrying cost. The 1999 figure relates solely to the carrying value of a retail property held for sale.

The other income (expense) of \$8.7 million (1999-\$0.3 million) was primarily due to the gain on sale of various assets during the year.

The number of common shares outstanding increased to 30,344,572 at December 31, 2000 (1999-30,331,129). Diluted earnings per share were \$4.14 in 2000 (1999-\$4.82).

Total taxes and tax-like levies and charges were as shown on the following page:

PAYMENTS TO GOVERNMENT (\$ millions)		
	2000	1999
Income Tax	\$ 76.8	\$ 103.6
Corporation Capital Tax	3.7	3.6
Provincial Capital Tax	4.1	3.9
Canada Pension Plan	7.6	6.4
Employment Insurance	7.0	7.2
Property Tax	20.6	18.3
Social Service Tax	15.1	14.5
Stumpage & Royalties	111.0	91.3
Workers Compensation	8.0	8.6
Total	\$ 253.9	\$ 257.4

With the exception of income tax, the majority of these payments do not vary directly with profitability.

The 2000 provision for income taxes of \$81 million was 38% of earnings before income taxes (1999—\$107 million or 42%).

CAPITAL STRUCTURE

All of West Fraser's debt other than current borrowings for ANC is unsecured and ranks equally in right of payment. On December 31, 2000, the ratio of West Fraser's total debt, less cash, to total capitalization was 0.38 (1999—0.36). The higher ratio is due mainly to increased spending on capital assets, other assets and acquisitions as well as payment of 1999 income taxes.

Selected consolidated financial information for the last eight quarters is as follows:

SELECTED QUARTERLY INFORMATION (\$ millions, except per share amounts)								
	2000				1999			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Net sales	\$555.5	\$568.5	\$634.1	\$551.3	\$560.6	\$609.7	\$589.9	\$443.9
Net earnings	\$ 22.4	\$ 24.3	\$ 42.8	\$ 42.0	\$ 39.5	\$ 56.7	\$ 37.0	\$ 14.2
Basic earnings per share	\$ 0.70	\$ 0.77	\$ 1.39	\$ 1.37	\$ 1.29	\$ 1.87	\$ 1.32	\$ 0.45
Diluted earnings per share	\$ 0.68	\$ 0.76	\$ 1.36	\$ 1.34	\$ 1.27	\$ 1.82	\$ 1.28	\$ 0.45

West Fraser's fixed-interest term debt is rated as investment grade by leading rating agencies. On January 9, 2001 Standard and Poors upgraded its corporate credit and senior unsecured debt ratings on West Fraser to BBB from BBB-. All ratings are as follows:

AGENCY	RATING
Dominion Bond Rating Service	BBB
Moody's	BAA3
Standard & Poor's	BBB

CHANGES IN ACCOUNTING POLICY

Effective January 1, 2000, the Company changed its method of accounting for income taxes and employee benefits and changed its method of calculating earnings per share, as recommended by the Canadian Institute of Chartered Accountants.

Details of these changes are described in more detail in note 2 to the Company's audited financial statements.

CAPITAL REQUIREMENTS AND LIQUIDITY

West Fraser's annual cash requirements, other than for operating purposes, include interest, repayment of debt, capital asset additions, acquisitions and payment of

dividends. In years without a major acquisition, cash provided by operations has been sufficient to meet these requirements.

In 2000, capital asset additions together with acquisitions amounted to \$218 million (1999–\$181 million). Proceeds from capital asset disposals were \$12 million in 2000 (1999–\$2 million).

On February 8, 2001 West Fraser entered into an agreement to purchase a sawmill, timber tenures and related assets in British Columbia for \$22 million plus working capital. West Fraser plans to spend approximately \$175 million on capital asset additions in 2001, mostly on business improvement projects and capital replacements and on the announced acquisition.

West Fraser's scheduled repayment of long-term debt in 2001 is US\$25 million.

On December 31, 2000 West Fraser had unused credit facilities of approximately \$334 million. West Fraser intends to meet all of its cash requirements in 2001 for planned capital additions, debt repayments, interest and dividends with funds generated from operations and from cash on hand.

CAPITAL ASSET ADDITIONS & ACQUISITIONS (millions)		
	2000	1999
Lumber	\$ 154.2	\$ 33.5
Panels	7.2	76.9
Pulp & paper	16.2	10.7
Retail	36.5	57.3
Corporate & other	4.0	2.7
Total	\$ 218.1	\$ 181.1

RISKS AND UNCERTAINTIES

Foreign Exchange

More than 60% of West Fraser's net sales were to customers at prices which, although denominated in a variety of currencies, are generally based on prevailing U.S. dollar prices. This results in significant sensitivity to changes in the U.S.-Canadian dollar exchange rate.

Payment for export sales may occur in the local currency of the purchaser, with exchange rate fluctuations between the times of purchase and payment, which may be up to 120 days, resulting in additional exchange rate sensitivity to a broader range of major foreign currencies. There were no obligations under forward-exchange contracts outstanding at year-end.

During 2000 the U.S. dollar traded between Cdn\$1.56 and Cdn\$1.43 with an average of Cdn\$1.49 (1999—between Cdn\$1.54 and Cdn\$1.45 with an average of Cdn\$1.49).

Softwood Lumber Agreement

The Softwood Lumber Agreement between the United States and Canada imposes a volume-based quota on shipments to U.S. destinations from British Columbia, Alberta, Ontario and Quebec. Shipments in excess of the quota are not restricted, but attract a substantial financial penalty. While this Agreement imposes additional costs on West Fraser, its position as one of Canada's lowest-cost lumber producers mitigates the effect of quota penalties compared to many competitors. In addition, West Fraser has been increasing shipments to Canadian and offshore markets to minimize its exposure to these penalties. The Softwood Lumber Agreement expires on March 31, 2001 and industry representatives are seeking to develop a common Canadian posi-

tion in anticipation of the expiration of this Agreement. West Fraser's new operations in the United States are not directly affected by this Agreement.

Land Claims

Native land claims continue to create an uncertainty for the forest industry in British Columbia. The Nisga'a treaty received final ratification by the federal, provincial and Nisga'a governments in 2000. The treaty did not have a material effect on West Fraser. Remaining land claims are under negotiation with the federal and provincial governments.

Environment

The "Environmental Report" which appears on page 60 is incorporated herein by reference.

Earnings Sensitivity

West Fraser's earnings are sensitive to changes in world economic conditions, primarily those in North America, Europe and the Far East. Most of its revenues are from sales of commodities for which prices are sensitive to variations in supply and demand. Since most of these sales are in foreign currencies, mainly U.S. dollars, currency exchange fluctuations are a factor.

West Fraser's principal raw material is timber. Stumpage charges on logs harvested from its timber tenures are indexed to the market price of lumber, both in British Columbia and in Alberta, although each province follows a different market index and a different policy to make changes to stumpage. The prices paid for logs obtained in the open market are the result of competitive bidding between mills seeking incremental volumes. In West Fraser's new operations in the United States, approximately 65% of the required log volumes are obtained under a long-term contract and the balance through market purchases.

Electrical energy is a major input cost for West Fraser's products, particularly paper, pulp and MDF. The move to deregulate power sales in the Alberta market resulted in significant cost increases in 2000, and extreme price volatility. West Fraser's pulp and paper operations were able to mitigate the increased prices in 2000 by shifting load to reduce the use of electricity during the highest cost periods. In August 2000, West Fraser participated in the Alberta-Government-run auction of power contracts to secure a 20-year supply

SENSITIVITY TO KEY VARIABLES		
FACTOR	VARIATION	CHANGE IN EARNINGS
Lumber Price	U.S. \$50 change per Mfbm	\$ 95 million
Plywood Price	U.S. \$50 change per Msf	\$ 11 million
MDF Price	U.S. \$50 change per Msf	\$ 11 million
BCTMP Price	U.S. \$50 change per tonne	\$ 16 million
Linerboard Price	U.S. \$50 change per tonne	\$ 15 million
Kraft Paper Price	U.S. \$50 change per tonne	\$ 5 million
Newsprint Price	U.S. \$50 change per tonne	\$ 5 million
U.S. – Canadian \$ Exchange Rate	U.S. \$0.01 change per Cdn \$	\$ 13 million
Log Cost	\$10 change per m ³	\$ 47 million

of electricity, starting January 1, 2001, at competitive and stable prices. Electricity rates in British Columbia are fixed by regulation until September 2001, and significant change is expected after that time.

Interest rates, particularly in the United States, have a significant effect on house construction activity, which in turn influences the demand for, and price of, lumber. Sales of existing homes and construction of new homes, together with general economic factors, affect the profitability of the retail home improvement business.

BUSINESS OUTLOOK

The financial performance of West Fraser's forest products business is dependent on commodity prices, the value of the Canadian dollar in relation to major foreign currencies (mainly the U.S. dollar), government policies affecting timber harvesting and the cost structure of its manufacturing units. The retail home improvement business is influenced by the level of general economic activity in Canada, particularly new home construction, and remodeling of existing homes.

Interest rates are expected to decline in the United States, which historically has resulted in increased housing activity. This should allow lumber prices to recover from the depressed levels experienced at the end of 2000 and in early 2001.

In the face of recent reduced demand, it is important that production be curtailed to allow demand and supply to balance. The expiry of the Softwood Lumber Agreement on March 31, 2001 raises a concern that new measures to restrict free trade will be introduced

against Canadian producers. This, and the potential strengthening of the Canadian dollar against the U.S. dollar, will further challenge the Canadian industry. However, West Fraser's low-cost position should allow its lumber operations to remain profitable. West Fraser's two sawmills in the United States will be immune from such trade restrictions and will provide a further hedge against their effects.

All of West Fraser's panel plants continue to make significant improvements to their cost structures, which should help offset any weakness in the marketplace.

Although progress was made in 2000 in streamlining the administration of timber harvesting in British Columbia, further structural adjustments are needed to bring the cost of timber in line with the costs borne by other Canadian and international competitors. In addition, customers and the public are becoming increasingly aware that timber harvesting must be demonstrably conducted in accordance with sound and sustainable forest practices. This has led to a growing number of requests for independent certification of compliance with the desired standards.

West Fraser is in the process of obtaining ISO 14001 certification of its woodlands environmental management systems and practices. It is evaluating various certification standards that would augment ISO 14001 and be acceptable in the marketplace.

The past year was an outstanding one for West Fraser's pulp operations. Both of the mills took advantage of strong markets by increasing production and at the same time were able to accomplish cost reduc-

tions in many areas. However, the significant pulp inventory build-up that took place throughout the industry at the end of the year has led to a price correction. If major producers show production discipline, a serious price erosion can be avoided. Both the West Fraser mills continue to look for ways to reduce costs and improve operating efficiencies while working with their key customers to improve product quality and customer service.

Although a weakening U.S. economy is now resulting in lower prices for linerboard and kraft paper, industry consolidation should lead to less volatile pricing for these products. The major steps taken in the past few years in the Eurocan mill to reduce costs and improve operating efficiencies are expected to show results in the coming year. The mill is also looking for opportunities to improve mill-net realizations by focusing on increased sales in North America. West Fraser is also investigating integration possibilities as well as ways to take further advantage of its high product quality.

With a slowdown in the U.S. economy, the demand for newsprint is expected to soften. Since relatively few major producers dominate the supply of newsprint, it is likely that supply and demand will remain largely in balance. West Fraser's newsprint operation, being among the lowest cost operations in the world, should continue to prosper.

The Canadian economy is expected to slow along with the U.S. economy, which may put pressure on margins in home improvement sales, although no such pressure was evident going into 2001. Increased competition from international retail chains in Eastern Canada adds further challenges to West Fraser's retail home improvement business. However, recently acquired store sites and an established presence as a national chain position West Fraser's home improvement business well in relation to its competitors.