

**Hank Ketcham**  
**West Fraser AGM Speech**  
**April 26, 2011**

Good morning and welcome to West Fraser's 2011 Annual General Meeting. We're pleased once again to have such a great turnout of shareholders, employees, community representatives and friends of the Company. Your loyalty and commitment to West Fraser is greatly appreciated by our management team.

2011 is a particularly significant year for us as it marks the 25<sup>th</sup> anniversary of our Initial Public Offering of shares. Since we went public in 1986, West Fraser has grown from the seventh largest lumber producer in North America to the largest producer. We've grown from the 14<sup>th</sup> largest Canadian forest company by sales to the third largest. And today, as we have done virtually every year since 1986, we are holding our annual meeting of shareholders here in Quesnel--the birthplace and home of our Company.

When our family came to Quesnel in 1955 to try to build a company with the 12 dedicated employees at Two Mile Planing Mills, we could not have imagined the future that would unfold for our Company and our town. As our Company grew, we knew that one of our greatest strengths would be our deep rooted connection to our communities—particularly Quesnel. Most of our senior management decision makers live and work here. They are part of the fabric of this community. We believe this gives us a competitive advantage in running our business. We are proud that Quesnel is home to our head operating office—the largest public company head office outside of the lower mainland.

Over the years, West Fraser has consistently been a top performer in our industry. In 2010 we once again turned in an industry leading performance.

We earned \$166 million on sales of \$2.9 billion. We produced very strong cash flow of \$370 million which allowed us to reduce our debt by nearly \$360 million and end the year with a net debt to capital ratio of 8%. As a result our Company has one of the strongest balance sheets in the business. Our strong cash generation enabled us to significantly increase our capital spending program in 2010 to \$56 million from the previous year's \$18 million. In December, our Board of Directors approved a \$230 million capital spending program for 2011. This is the largest capital spending budget in our history reflecting continued strong cash flow. We will spend an additional \$90 million of pulp & paper green transformation funds on energy-related projects. These funds are provided by our federal government to offset massive energy subsidies provided to our American competitors by their federal government. We also doubled our dividend in the second half of 2010 and doubled it again in the first quarter of 2011. We remain one of only two Canadian public forest products companies that pays a dividend. As a result of this strong operating and financial performance in 2010, as well as previous years', West Fraser's return to its shareholders is one of the highest of any public forest products company in Canada.

Another way to judge our top tier performance is to look at how the Company has grown over the last several years. Since 2004, we significantly expanded our Company through the acquisition of Weldwood of Canada and then the purchase of 13 U.S.-based sawmills in 2007. These acquisitions were the cornerstone of our stated strategy to expand the Company beyond the borders of British Columbia. Today, we are by far the largest forest products company in Alberta and the second largest lumber producer in the U.S.

As a result of this aggressive expansion strategy, we are now the largest B.C.-based forest company, the most geographically and product diversified and the largest lumber producer in North America. We took on \$800

million of debt to finance these acquisitions and, following our U.S. acquisition, were immediately faced with the collapse of the U.S. housing market and the virtual meltdown of large parts of the global financial industry.

So it is a testament to our people and our strategy that, through the depths of the worst recession in 70 years, we were able to produce strongly positive EBITDA and reduce our debt by over \$500 million. Our total shareholder return was the highest in the industry over this period of time. This was a fantastic performance under very difficult circumstances.

Our great success can be attributed to two fundamental factors:

First, we have been able to attract and retain a great group of employees who are committed to building on our legacy of operational excellence.

And second, our employees have never wavered from the three principles that have guided the Company since its inception in 1955. These principles are:

- an intense focus on cost control
- the maintenance of a conservative and flexible balance sheet
- and the reinvestment of our strong cash flows back into our operations to ensure we have among the most modern and efficient mills in the industry

By adhering to these principles, we have been able to withstand the cyclical lows in our industry better than our competitors and be better positioned to take advantage of growth opportunities when they arise.

In 2010, the North American wood products industry continued to be plagued by historically low housing starts, anemic GDP growth in the U.S. and the resulting significant over capacity in our industry. To put it in perspective, North American housing starts were 585,000 units in 2010 compared to a pre-recession average of 1.8 million units per year. Prior to 2008, housing starts had not dropped below one million units per year since World War II. Housing starts dropped by 75% from 2005 to 2008 and have not recovered. So as you can appreciate, our industry has been going through a long and very painful restructuring for the last four years. Unfortunately, we're not seeing any pick up in housing through the first quarter of 2011 due to continuing high unsold housing inventories as well as the large overhang of foreclosed properties that continues to come on the market. But while the U.S. housing market continues to be mired in recession, lumber prices actually improved by 40% over 2009.

This price improvement has been driven by two factors: First, the industry has reduced production by 37% since 2005. And second, our efforts at developing the Chinese market are bearing fruit. In 2010, Canada exported roughly 2.1 billion feet of SPF to China—up from virtually nothing in 2005.

In West Fraser's case, we shipped 30% of our Canadian production to Asia in 2010 versus less than 10% in 2005. We are the largest SPF supplier to Japan and one of the largest SPF suppliers to China. The development of the Chinese market has been a game changer for our industry. We fully intend to continue working closely with our Provincial and Federal governments to further penetrate the rapidly developing Asian markets. If we are able to continue to grow our overseas markets we will, over time, see upward pressure on pricing and significantly reduced exposure to the U.S. market.

West Fraser is the largest producer of plywood in Canada. Because we ship virtually all of our production to the Canadian market, we have achieved reasonable profitability over the last few years due to the relatively strong housing market in this country. However, in 2010 U.S. plywood producers began penetrating our home market due to the strengthening Canadian dollar which makes their product price competitive in Canada. As a result, plywood prices were under pressure all year significantly impacting our profitability. We expect intense competition from U.S. producers to continue as long as housing starts stay depressed in that country and the U.S. currency stays weak.

Our other wood products businesses, medium density fibreboard and laminated veneer lumber continued to operate at reduced capacity while our treated wood business remained quite profitable.

Our pulp & paper business continued to make progress in 2010. We are investing heavily in our kraft pulp business in order to position it at the lower end of the North American cost curve. Kraft pulp prices remained relatively strong throughout the year reflecting continued strength in the Chinese market. Prices for our mechanical pulp were strong through the first half of the year but declined by 20% in the second half. Mechanical pulp prices are driven off of hardwood kraft prices and this particular market segment is suffering from significant over capacity. Fortunately, our two mechanical pulp mills are modern, efficient and well run so we have been able to maintain reasonable margins in this business even with falling prices.

As part of our strategy to strengthen our pulp & paper business, we closed our Eurocan operation in January 2010. We have freed up about \$70 million of working capital and have eliminated potential future losses. The permanent closure of Eurocan and the anticipated sale of the remaining assets will improve the overall Return on Capital Employed of our Company which is one of our long-term strategic goals.

During the year, the Canadian dollar strengthened by 9% against its U.S. counterpart. This has had a significant negative effect on our margins. We believe our Canadian dollar will stay strong for the foreseeable future so we must offset this through continuing cost reduction efforts.

In summary, we have achieved an industry leading financial performance versus our key competitors through this five year recession:

- We have achieved the highest EBITDA and EBITDA margin.
- We have achieved the highest return on capital.
- And we have achieved the highest total return to shareholders.

An outstanding performance for which our employees should be very proud.

To be a truly great company, though, we must achieve excellence in all facets of our business—not just financial and operational. As a large corporation and major employer in many jurisdictions, we have an obligation to our employees and our communities to use our human and financial resources not only to reward our shareholders with superior financial returns but to ensure that we are also improving the lives and surroundings of our employees and our communities. There are many ways we achieve this at West Fraser. I'll give you a few examples:

First, we offer better job security to our employees and contractors. Due to our long-term operating strategy we consistently run at higher operating rates during industry downcycles than our competitors. This gives better financial stability to our employees, contractors and communities.

Second, by achieving above average industry returns, we are able to give back to our communities in many ways. For instance, last month we were pleased to donate \$1 million to the new cancer lodge in Prince George. This new lodge will allow cancer patients in northern British Columbia to have a home away from home during treatment. This will be a huge benefit for patients and family members alike. We are proud to be a part of this great facility.

Third, we continue to focus on safety as a core value in our Company. We are an industry leader in safety and we fully intend to apply all of our resources to achieve our goal of no serious or debilitating accidents in the work place. We hold our management team to a very high standard in this regard and we will continue to strive to be the safest company in our industry.

And fourth, as a member of the Forest Products Association of Canada, West Fraser has taken a leadership role in negotiating the landmark Boreal Accord with a group of national and international environmental organizations. This Accord is intended to ensure both economic prosperity and environmental sustainability across the entire Canadian boreal landscape.

Industry and the ENGOs view this Accord as the start of a new relationship in which dialogue, compromise and mutual respect will hopefully replace the acrimony and mistrust that has characterized the relationship in the past.

I'll remind our shareholders that West Fraser also took a leadership role in the mid 1990's when we unilaterally relinquished our cutting rights over the vast Kitlope area on the coast of British Columbia thereby assuring the preservation for all time of this pristine and untouched watershed. At 317,000 hectares this was—and still is—the largest conservation agreement by any Company in Canada. The point is that we have always tried to do the right thing not only for our shareholders but for the larger community in which we operate. We are proud that West Fraser is a proven leader in environmental performance and conservation.

As part of our ongoing focus on environmental improvement, we have made significant strides in reducing our energy intensity and our greenhouse gas emissions. Energy intensity is the amount of purchased energy we use to make our products. In 2010 we reduced our energy intensity by 7% in our lumber division and by 2% in our pulp division. Over the past ten years, the reduction is 47% for lumber and 22% for pulp.

In 2010, we reduced our greenhouse gas emissions intensity by 9% in our lumber division and by 11% in our pulp division. And over a ten year period we have reduced these emissions by 60% and 35% respectively. In fact, since 2000 we have reduced by 3% the total tonnes of greenhouse gases emitted to the atmosphere. This is great progress in reducing our carbon footprint but we believe we can do much more. In fact, we now have a dedicated energy business as part of our corporate structure. The purpose of this business is to reduce our dependence on purchased fossil fuels and investigate and pursue opportunities to develop a commercially viable bioenergy and biofuel business based on forest residuals. This is an exciting time for our Company as we develop a bioenergy business that will add to our bottom line and, at the same time, reinforce our commitment to environmental excellence.

Over the past 15 years, British Columbians have watched an environmental disaster occurring in their own backyards. No one could have foreseen in 1994 the full effects of the mountain pine beetle outbreak in

Tweedsmuir Park that year. Today, one billion cubic metres of pine forest is dead or dying. This is equivalent to 25 years of AAC in the B.C. interior. The long-term environmental effects of this massive epidemic are not yet determinable. But we are beginning to see the economic effects. Lumber recoveries are down, grade recovery is down, productivity is down and available timber supply is declining. Over the next 10 to 15 years, annual allowable cuts across the interior of B.C. will be significantly reduced and further mill closures will be required. West Fraser is well positioned to deal with the declining cut. We have modern efficient mills in the affected areas and, as I mentioned earlier, we have expanded into Alberta and the U.S. South which will help mitigate the effects of the mountain pine beetle on our Company. Through our aggressive expansion outside of B.C. and the emergence of new markets for our products in Asia, we believe that West Fraser is extremely well positioned to compete in the future.

In January of this year, at the request of the U.S. Lumber Coalition, the U.S. Department of Commerce filed a request for arbitration under the terms of the 2006 Softwood Lumber Agreement. The U.S. alleges that, among other things, the B.C. government is not charging lumber producers enough for mountain pine beetle attacked timber. Our industry will work with our federal and provincial governments to aggressively defend the policies that are under attack. While we believe we have a very strong defence, it is too soon to speculate on the outcome of the arbitration.

Strong industry leadership can only be achieved through the collective efforts of a smart, dedicated and hardworking group of employees. But it takes more than that. It takes a shared value system, a commitment to teamwork and a passion to be the best at everything we do.

But leadership can have its challenges. It can lead to arrogance or complacency. In our case we must be constantly pushing forward with new ideas, new initiatives and new ways to inspire each other not just to stay ahead of our competitors but to continually widen the gap. This shared vision of growth and improvement is what creates the corporate energy to continuously challenge the way we do things, to innovate and to take prudent risks.

Over 55 years, the people at West Fraser have developed a winning culture and winning attitude that is acknowledged throughout our industry. I believe we have the best people in the business, the best culture in the business and, consequently, the best performance in the business. I extend a heartfelt thanks to every West Fraser employee who works so hard every day to contribute to our overall success.

I also want to express my thanks, on behalf of our management team, for the continuing advice and support we receive from our Board of Directors. They bring a wealth of experience and expertise to the boardroom that has helped to make the difference between a good company and a great company.

As we look to the future, we are very optimistic about the outlook for our industry and our Company. We believe the U.S. housing market will eventually return to its pre-recession level of activity. We believe growing demand for imported lumber by China and other emerging Asian countries will continue. We believe static or declining timber supply in some parts of North America will drive lumber prices to new heights. We believe wood-based construction will increasingly be viewed as the best economic and environmental choice among all competing products. And we believe that we are well positioned to build a profitable bioenergy business to complement our existing pulp businesses. I know that our people will seize these opportunities to create even more value for our shareholders in the future.

Finally, I want to thank my good friend and colleague, Gerry Miller, for his 25 years of dedicated service to our Company. We have had some great leaders retire from our Company over the years and Gerry is among the best of them. I know I speak on behalf of the entire West Fraser community when I say how much we will miss his energy, passion and commitment to West Fraser.

In closing, I want to acknowledge once again the tremendous people that make up the West Fraser family. They work hard but never take themselves too seriously. Having fun at work has always been part of our culture—and hopefully always will be.