



West Fraser

Analysts' Tour – May 2011

U.S. South

West Fraser

Canadian Integration – Product Diversification



Lumber

- 28 Mills

SPF 3.5 billion feet
SYP 2.0 billion feet
Total 5.5 billion feet

Largest lumber producer in the World

Panels

- 6 Mills

Plywood: 830 million square feet (3/8")
MDF: 300 million square feet (3/4")
LVL: 3.2 million cubic feet

Largest plywood producer in Canada

Pulp & Paper

- 5 Mills

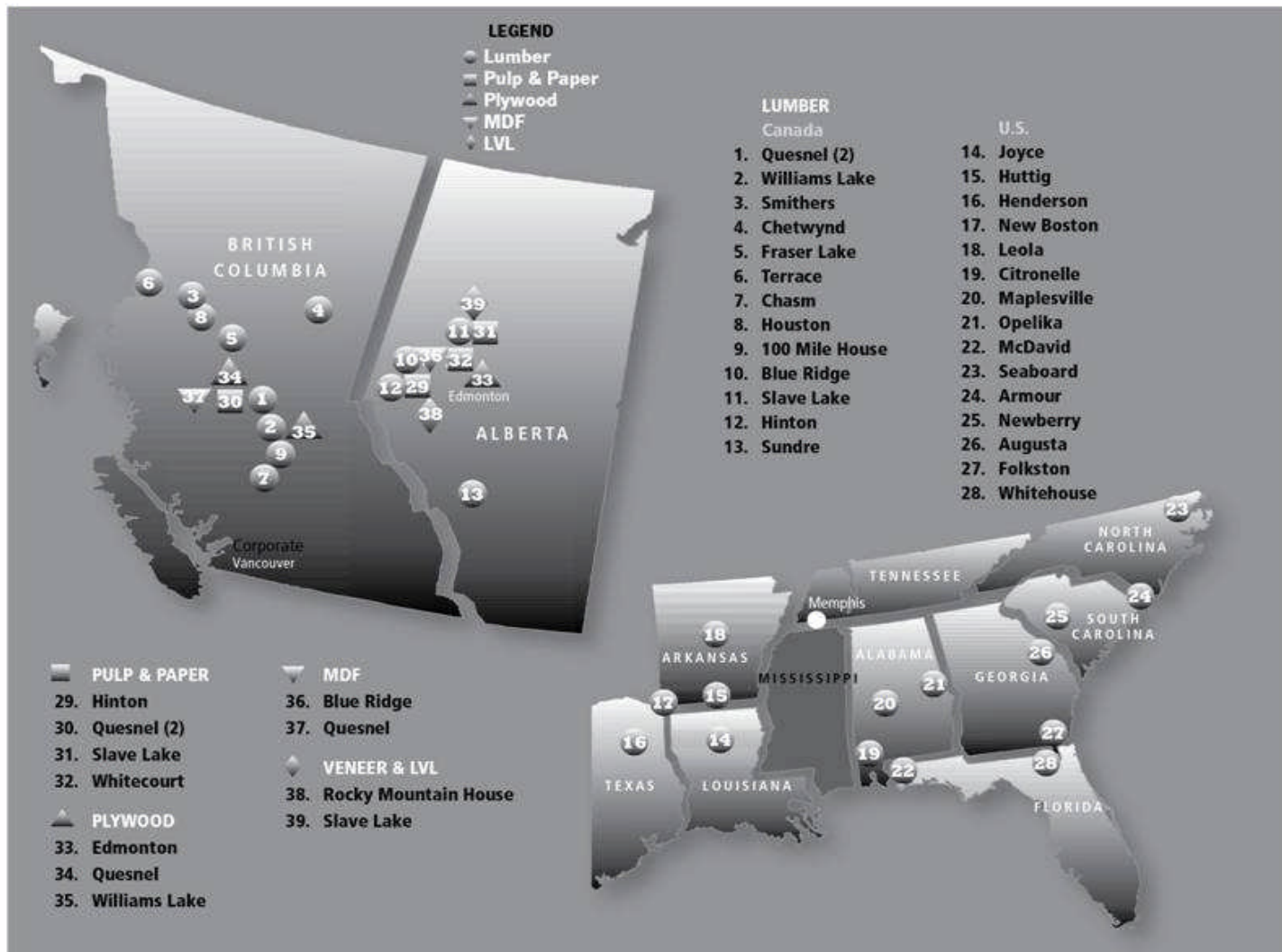
NBSK: 530 thousand tonnes
BCTMP: 620 thousand tonnes
Newsprint: 130 thousand tonnes

Third largest pulp producer in Canada



West Fraser

Geographic Diversification



Pulp & Paper (continuing operations)

	<u>Q1/11</u>	<u>2010</u>	<u>2009</u>
Sales (\$millions)	209	863	677
EBITDA (\$ millions)	47	187	60
EBITDA margin (%)	22	22	9
Operating earnings (\$ millions)	29	132	(5)

Outlook

- Green Transformation Credits
- NBSK positive signs
- BCTMP weak with slow recovery; niche market
- Eurocan closure has improved management focus

Panels (plywood, MDF and LVL)

	<u>Q1/11</u>	<u>2010</u>	<u>2009</u>
Sales (\$millions)	89	401	391
EBITDA (\$ millions)	4	57	48
EBITDA margin (%)	4	14	12
Operating earnings (\$ millions)	-	37	14

Outlook

- Canadian plywood continues to face competition from U.S. producers due to weak U.S. market and strong Canadian dollar
- Longer term outlook still positive although MPB-related log shortages may bare adverse effect

Lumber

Three Distinct Jurisdictions

B.C. Interior – Alberta – U.S. South

B.C. Interior

- Where We Started
 - corporate headquarters in Vancouver, B.C.
 - operational headquarters in Quesnel, B.C.
 - 3,500 employees in B.C.⁽¹⁾ of which 1,200 are in Quesnel⁽¹⁾

(1) including administration, panels and pulp which includes West Fraser's share of Cariboo Pulp & Paper employees

- 8 Sawmills
 - total capacity of 2,400 mmfbm/year
 - largest (Quesnel) 530 mmfbm/year
 - scale is critical to offset distance to key markets
 - scale requires capital and log availability
- Market-Based Stumpage System
 - more sensitive to supply/demand dynamics
 - less sensitive to end product prices
 - untested in strong lumber market

- Mountain Pine Beetle
 - quality deterioration countered by improved technology
 - inevitable supply decline in an uncertain timeframe
 - significant factor in capital expenditure decisions, particularly when measured against alternatives in other jurisdictions
 - some B.C. closures already announced
 - declining AACs

- Markets

- U.S. housing to inevitably recover
- Softwood Lumber dispute likely a permanent fixture
- likely to see demand from Asia grow
- Canadian Dollar

Alberta

- West Fraser is the largest lumber producer in Alberta
 - 1,830 employees (including panels, pulp and share of ANC)
 - two pulp mills, plywood, MDF and LVL
 - three sawmills with 920 mmfbm/year total capacity
 - largest (Blue Ridge) 380 mmfbm/year
 - scale also critical
- Stumpage System
 - more tied to end product prices

- Mountain Pine Beetle
 - infestation being countered by more aggressive measures combined with colder winters
 - focus on harvesting mature pine stands
 - potential for harvest expansion which could increase capacity
 - impact and timing uncertain although further out than B.C.
 - MPB-related technology is improving productivity in non-MPB log facilities

- Competition for Skilled Employees from Oil Patch
- Markets
 - U.S. housing inevitable recovery
 - Softwood Lumber dispute and surge taxes
 - Asia (transportation, surge)
 - Canadian Dollar

U.S. South

- More Details to Come, but
 - private timberlands and contracts
 - no MPB/SLA/Canadian dollar
 - Southern Yellow Pine

West Fraser Lumber Outlook

- Short-Term
 - slow, choppy recovery
 - no fibre shortages with continuing weak U.S. housing construction
 - Asian demand to contribute to the recovery
 - major capital upgrades in all three regions
 - continuing relentless focus on cost control, efficiency, productivity and margin improvement

- Longer-Term

- assuming a recovery of U.S. housing and growth of Asian demand, MPB-related fibre supply reduction should produce strong lumber market
- despite stronger lumber markets, traditional B.C. lumber margins may be squeezed by higher log costs pending rationalization while Alberta and the U.S. South may experience improved margins due to higher-quality and quantity log supply

Following 2010's "Alberta Extravaganza" We Now Present: The U.S. South

- Welcome All Y'all