



**West Fraser Timber Co. Ltd**

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## **NEWS RELEASE**

**WEST FRASER TIMBER CO. LTD.  
("WFT")  
2002 4th Quarter and Annual Results  
Thursday, February 13, 2003**

# **West Fraser Reports Strong Earnings in 2002** **Stock and cash dividends declared.**

Attention: Business & Financial Editors  
Financial Analysts

*Vancouver, B.C.* **West Fraser Timber Co. Ltd.** today announced fourth quarter earnings of \$36 million or \$1.06 per share on sales of \$405 million compared to earnings of \$11 million or \$0.30 per share on sales of \$364 million in the fourth quarter of 2001. For the year 2002 earnings were \$138 million or \$4.07 per share on sales of \$1,632 million. This compares to earnings of \$115 million or \$3.00 per share on sales of \$1,562 million in 2001. The yearly earnings increase was due primarily to increased production in most product lines and lower unit costs.

Hank Ketcham, Chairman, President and Chief Executive Officer stated that "Despite challenging pricing environments for most of our products throughout the year, we are very pleased to report a strong increase in earnings in 2002. Furthermore, our financial strength has allowed us to pay our 66<sup>th</sup> consecutive quarterly dividend since we went public in 1986. In the face of uncertainty over the softwood lumber dispute we are heartened to have one of the strongest balance sheets in our industry and we intend to pursue our growth strategy when the appropriate opportunities present themselves."

Fourth quarter earnings from continuing operations were \$27 million or \$0.81 per share compared to \$4 million or \$0.12 per share in the same quarter of 2001. For the year, earnings from continuing operations were \$129 million or \$3.82 per share compared to \$97 million or \$2.85 per share for 2001.

EBITDA – operating earnings plus amortization – was \$71 million or 17% of sales for the fourth quarter and \$344 million or 21% of sales for the year. This compares to \$46 million or 13% of sales and \$311 million or 20% of sales in the corresponding periods in 2001.

## TRADE DISPUTE

The continuing softwood lumber trade dispute with the United States added uncertainty and instability to an already over-supplied market. West Fraser has accrued \$67 million, as a reduction of sales, on account of the trade duties imposed from May 22, 2002, of which \$25 million was accrued in the fourth quarter. The Company continues to support efforts for a fair settlement but, lacking such settlement, believes that appeals to NAFTA and WTO will ultimately be successful.

## OPERATIONAL RESULTS

Lumber EBITDA for the quarter, after accounting for duties, was \$22 million or 9% of sales compared to \$13 million or 7% of sales in the fourth quarter of 2001. Lumber prices continued to decline during the quarter averaging approximately US\$195 per Mfbm (SPF 2 x 4) compared to the third quarter 2002 average of US\$223 per Mfbm. Southern Yellow Pine prices also declined during the quarter averaging US\$279 per Mfbm (SYP 2x4).

The panel operations generated EBITDA of \$15 million or 31% of sales in the quarter compared to \$17 million or 34% of sales in the comparable quarter of 2001. Plywood prices were strong, while MDF prices came under pressure towards the end of the year.

West Fraser's pulp and paper operations generated EBITDA of \$36 million or 27% of sales for the quarter compared to \$18 million or 15% of sales in the comparable quarter of 2001. Production records were established at Alberta Newsprint and Slave Lake Pulp in 2002. In November West Fraser purchased the other 50% interest in Quesnel River Pulp. QRP is the largest BCTMP mill in the world and West Fraser expects to benefit from further efficiencies now that it is operated by a single owner.

## DIVIDENDS DECLARED

West Fraser's Board of Directors today declared a stock dividend of one Common share for each ten Common or Class B shares held, payable on March 14, 2003 to shareholders of record on February 28, 2003. In lieu of issuing fractional shares, the Company will make a cash payment based on the closing share price on February 28, 2003.

The Directors also declared a regular cash dividend of \$0.14 per share. The cash dividend is payable on April 4, 2003 to shareholders of record on March 21, 2003.

## JOINT VENTURE INTERESTS

In December, West Fraser deferred the sale of its 50% joint venture interest in Alberta Newsprint Company to an income fund due to a general weakening of the income fund market. West Fraser continues to monitor the public markets and may reconsider a sale at a later date.

## CONFERENCE CALL

Investors are invited to listen to the quarterly conference call to be held February 14 at 8:30 am Pacific Time by dialing in at 1-800-273-9672. The call may also be accessed through West Fraser's website at [www.westfraser.com](http://www.westfraser.com).

West Fraser is an integrated forest products company with manufacturing operations in British Columbia, Alberta and the southern United States producing lumber, wood chips, fibreboard, plywood, pulp, linerboard, kraft paper and newsprint.

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**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS**
*(in millions of Canadian dollars - unaudited)*

	October 1 to December 31		January 1 to December 31	
	2002	2001	2002	2001
		(Restated - Note 2)		(Restated - Note 2)
<b>EARNINGS</b>				
Net Sales	\$ 404.8	\$ 363.7	\$ 1,632.2	\$ 1,562.3
Cost of products sold	316.1	300.0	1,243.8	1,181.3
Amortization of property, plant and equipment	35.6	30.4	135.4	123.3
Selling, general and administrative	18.2	17.5	69.1	70.5
Recovery of prior year export duties	-	-	(25.0)	-
<b>Operating earnings</b>	<b>34.9</b>	<b>15.8</b>	<b>208.9</b>	<b>187.2</b>
Interest expense	(4.9)	(7.6)	(32.6)	(33.5)
Exchange gain (loss) on long-term debt	1.4	(4.3)	5.5	(26.6)
Other income	(0.8)	(2.5)	3.4	4.7
Earnings from continuing operations before income taxes	30.6	1.4	185.2	131.8
Income taxes	3.5	(3.0)	56.2	34.5
Earnings from continuing operations	27.1	4.4	129.0	97.3
Earnings from discontinued operations (note 3)	8.5	6.1	8.5	17.6
<b>Earnings</b>	<b>\$ 35.6</b>	<b>\$ 10.5</b>	<b>\$ 137.5</b>	<b>\$ 114.9</b>
<b>Earnings per common share (in dollars) (note 5)</b>				
Basic from continuing operations	\$ 0.81	\$ 0.12	\$ 3.85	\$ 2.86
Basic after discontinued operations	\$ 1.06	\$ 0.30	\$ 4.11	\$ 3.01
Diluted from continuing operations	\$ 0.81	\$ 0.12	\$ 3.82	\$ 2.85
Diluted after discontinued operations	\$ 1.06	\$ 0.30	\$ 4.07	\$ 3.00
<b>RETAINED EARNINGS</b>				
Balance - beginning of period	\$ 933.2	\$ 839.9	\$ 845.6	\$ 782.8
Change in accounting for foreign exchange (note 2)	-	-	-	(21.4)
	933.2	839.9	845.6	761.4
Earnings	35.6	10.5	137.5	114.9
	968.8	850.4	983.1	876.3
Convertible obligation	-	-	-	(12.6)
Preferred share payment	-	(0.6)	(0.2)	(1.1)
Dividends	(4.6)	(4.2)	(18.7)	(17.0)
<b>Balance - end of period</b>	<b>\$ 964.2</b>	<b>\$ 845.6</b>	<b>\$ 964.2</b>	<b>\$ 845.6</b>



## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars - unaudited)

	October 1 to December 31		January 1 to December 31	
	2002	2001	2002	2001
	(Restated - Note 2)		(Restated - Note 2)	
<b>Cash Flows From Operating Activities</b>				
Earnings from continuing operations	\$ 27.1	\$ 4.4	\$ 129.0	\$ 97.3
Amortization of property, plant & equipment	35.6	30.4	135.4	123.3
Exchange (gain) loss on long-term debt	(1.4)	4.3	(5.5)	26.6
Future income taxes	(7.6)	(18.5)	(9.7)	(32.1)
Other long-term liabilities	(0.9)	22.4	(22.1)	27.8
Reforestation obligation	(1.1)	(19.0)	(6.0)	(12.7)
Other	(2.4)	(1.1)	(4.2)	(0.9)
	<b>49.3</b>	<b>22.9</b>	<b>216.9</b>	<b>229.3</b>
Net change in non-cash working capital items	(38.0)	25.4	(47.1)	30.4
	<b>11.3</b>	<b>48.3</b>	<b>169.8</b>	<b>259.7</b>
<b>Cash Flows From Financing Activities</b>				
Proceeds from long-term debt	-	-	-	76.4
Repayment of long-term debt	-	-	(235.7)	(112.8)
Dividends	(4.6)	(4.2)	(18.7)	(17.0)
Other	-	(0.6)	2.5	(1.3)
	<b>(4.6)</b>	<b>(4.8)</b>	<b>(251.9)</b>	<b>(54.7)</b>
<b>Cash Flows From Investing Activities</b>				
Property, plant and equipment additions	(37.6)	(40.4)	(123.1)	(112.9)
Proceeds from disposal of property, plant and equipment	-	(0.4)	6.3	1.5
Acquisition	(0.3)	-	(0.3)	(29.9)
Change in other assets	6.7	1.0	6.8	(3.1)
	<b>(31.2)</b>	<b>(39.8)</b>	<b>(110.3)</b>	<b>(144.4)</b>
<b>Change in cash from continuing operations</b>	<b>(24.5)</b>	<b>3.7</b>	<b>(192.4)</b>	<b>60.6</b>
<b>Change in cash from discontinued operations</b>	<b>34.7</b>	<b>20.8</b>	<b>115.2</b>	<b>305.1</b>
<b>Net Cash - beginning of period</b>	<b>182.7</b>	<b>245.6</b>	<b>270.1</b>	<b>(95.6)</b>
<b>Net Cash - end of period</b>	<b>\$ 192.9</b>	<b>\$ 270.1</b>	<b>\$ 192.9</b>	<b>\$ 270.1</b>
<b>Interest Paid</b>	<b>\$ 5.8</b>	<b>\$ 7.1</b>	<b>\$ 42.4</b>	<b>\$ 46.7</b>
<b>Income Taxes Paid</b>	<b>\$ 24.6</b>	<b>\$ 23.2</b>	<b>\$ 84.5</b>	<b>\$ 93.4</b>



**CONSOLIDATED BALANCE SHEETS**  
(in millions of Canadian dollars - unaudited)

	<b>As at</b>		<b>As at</b>
	<b>December 31, 2002</b>		<b>December 31, 2001</b>
			<small>(Restated - Note 2)</small>
<b>ASSETS</b>			
Cash and short-term investments	\$ 192.9	\$	270.1
Accounts receivable	174.0		169.6
Inventories	319.4		305.6
Prepaid expenses	7.0		7.8
Discontinued operations - current assets	-		5.9
	<b>693.3</b>		<b>759.0</b>
Other assets	85.2		86.5
Property, plant and equipment	1,316.9		1,331.1
Deferred charges	20.2		16.3
Discontinued operations - long-term assets	-		126.6
	<b>\$ 2,115.6</b>	\$	<b>2,319.5</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 163.1	\$	188.8
Current portion of reforestation obligation	29.5		28.1
Current portion of long-term debt	19.7		238.9
Discontinued operations - current liabilities	-		15.4
	<b>212.3</b>		<b>471.2</b>
Long-term debt	337.7		359.6
Reforestation obligation	57.8		64.1
Other liabilities	14.4		36.5
Future income taxes	201.7		213.2
Discontinued operations - long-term liabilities	-		4.5
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	327.5		324.8
Retained earnings	964.2		845.6
	<b>\$ 2,115.6</b>	\$	<b>2,319.5</b>

**QUARTERLY COMPARISONS - Continuing Operations**

January 1 to December 31

*(in millions of Canadian dollars - unaudited)*

	<b>2002</b>		<b>2001</b>	
			<small>(Restated - Note 2)</small>	
<b>Sales</b>				
First	\$	<b>379.4</b>	\$	375.1
Second		<b>420.2</b>		416.1
Third		<b>427.8</b>		407.4
Fourth		<b>404.8</b>		363.7
		<b>1,632.2</b>		1,562.3
<b>Earnings</b>				
First	\$	<b>26.6</b>	\$	(2.8)
Second		<b>71.0</b>		64.8
Third		<b>4.3</b>		30.9
Fourth		<b>27.1</b>		4.4
		<b>129.0</b>		97.3
<b>Diluted Earnings Per Share</b> <i>(in dollars)</i>				
First	\$	<b>0.78</b>	\$	(0.10)
Second	\$	<b>2.10</b>	\$	1.92
Third	\$	<b>0.13</b>	\$	0.91
Fourth	\$	<b>0.81</b>	\$	0.12
Annual	\$	<b>3.82</b>	\$	2.85

Number of common shares outstanding at December 31, 2002 was 33,483,229


**FOURTH QUARTER SEGMENTED INFORMATION**
*(in millions of Canadian dollars - unaudited)*

	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
<b>October 1, 2002 to December 31, 2002</b>					
Net sales at market prices					
To external customers	\$ 223.3	\$ 47.7	\$ 133.8		\$ 404.8
To other segments	6.4				
	<u>\$ 229.7</u>	<u>\$ 47.7</u>	<u>\$ 133.8</u>	<u>-</u>	
<b>EBITDA</b>	\$ 21.7	\$ 14.7	\$ 35.9	\$ (1.8)	\$ 70.5
Amortization of property, plant and equipment	15.2	5.9	13.8	0.7	35.6
Operating earnings (loss)	6.5	8.8	22.1	(2.5)	34.9
Interest expense	0.9	(0.1)	0.6	3.5	4.9
Exchange gain on long-term debt	-	-	-	(1.4)	(1.4)
Other	-	-	(0.3)	1.1	0.8
Earnings (loss) before income taxes	<u>\$ 5.6</u>	<u>\$ 8.9</u>	<u>\$ 21.8</u>	<u>\$ (5.7)</u>	<u>\$ 30.6</u>
<b>October 1, 2001 to December 31, 2001</b>					
Net sales at market prices					
To external customers	\$ 190.3	\$ 50.7	\$ 122.7		\$ 363.7
To other segments	7.7				
	<u>\$ 198.0</u>	<u>\$ 50.7</u>	<u>\$ 122.7</u>	<u>-</u>	
<b>EBITDA</b>	\$ 13.0	\$ 17.1	\$ 17.9	\$ (1.8)	\$ 46.2
Amortization of property, plant and equipment	11.2	5.7	13.4	0.1	30.4
Operating earnings (loss)	1.8	11.4	4.5	(1.9)	15.8
Interest expense	3.4	3.0	4.3	(3.1)	7.6
Exchange loss on long-term debt	-	-	-	4.3	4.3
Other	0.6	-	(0.5)	2.4	2.5
Earnings (loss) before income taxes	<u>\$ (2.2)</u>	<u>\$ 8.4</u>	<u>\$ 0.7</u>	<u>\$ (5.5)</u>	<u>\$ 1.4</u>


**T W E L V E M O N T H S E G M E N T E D I N F O R M A T I O N**
*(in millions of Canadian dollars - unaudited)*

	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
<b>January 1, 2002 to December 31, 2002</b>					
Net sales at market prices					
To external customers	\$ 930.8	\$ 216.7	\$ 484.7		\$ 1,632.2
To other segments	28.2				
	\$ 959.0	\$ 216.7	\$ 484.7	-	
<b>EBITDA</b>	\$ 193.6	\$ 70.4	\$ 87.0	\$ (6.7)	\$ 344.3
Amortization of property, plant and equipment	55.1	23.5	55.0	1.8	135.4
Operating earnings (loss)	138.5	46.9	32.0	(8.5)	208.9
Interest expense	16.1	6.2	14.3	(4.0)	32.6
Exchange gain on long-term debt	-	-	-	(5.5)	(5.5)
Other	(1.3)	-	(0.4)	(1.7)	(3.4)
Earnings before income taxes	\$ 123.7	\$ 40.7	\$ 18.1	\$ 2.7	\$ 185.2
<b>January 1, 2001 to December 31, 2001</b>					
Net sales at market prices					
To external customers	\$ 851.8	\$ 214.0	\$ 496.5		\$ 1,562.3
To other segments	30.9				
	\$ 882.7	\$ 214.0	\$ 496.5	-	
<b>EBITDA</b>	\$ 152.5	\$ 62.3	\$ 103.8	\$ (8.1)	\$ 310.5
Amortization of property, plant and equipment	48.1	23.1	51.8	0.3	123.3
Operating earnings (loss)	104.4	39.2	52.0	(8.4)	187.2
Interest expense	16.0	6.9	20.1	(9.5)	33.5
Exchange loss on long-term debt	-	-	-	26.6	26.6
Other	0.5	(0.1)	-	(5.1)	(4.7)
Earnings (loss) before income taxes	\$ 87.9	\$ 32.4	\$ 31.9	\$ (20.4)	\$ 131.8



#### FOURTH QUARTER & YEAR-TO-DATE OPERATING HIGHLIGHTS

		October 1 to December 31		January 1 to December 31	
		2002	2001	2002	2001
<b>Lumber</b>	Production (Mfbm)	<b>605,130</b>	457,285	<b>2,346,721</b>	2,012,432
	Shipments (Mfbm)	<b>620,389</b>	486,017	<b>2,296,893</b>	2,006,787
<b>Panels</b>					
MDF	Production (Msf - 3/4")	<b>65,935</b>	61,117	<b>249,087</b>	249,461
	Shipments (Msf - 3/4")	<b>56,035</b>	54,517	<b>248,656</b>	248,839
Plywood	Production (Msf - 3/8")	<b>56,840</b>	59,650	<b>235,096</b>	247,854
	Shipments (Msf - 3/8")	<b>57,755</b>	60,475	<b>235,043</b>	251,904
<b>Pulp &amp; Paper (tonnes)</b>					
Linerboard and Kraft Paper	Production	<b>115,940</b>	82,934	<b>410,196</b>	406,580
	Shipments	<b>101,815</b>	94,878	<b>395,076</b>	408,499
BCTMP	Production	<b>117,048</b>	94,122	<b>396,957</b>	360,631
	Shipments	<b>104,340</b>	106,997	<b>385,638</b>	365,905
Newsprint	Production	<b>32,363</b>	32,181	<b>128,394</b>	119,621
	Shipments	<b>33,389</b>	33,039	<b>131,930</b>	115,894

#### NOTES TO INTERIM FINANCIAL STATEMENTS

January 1 to December 31, 2002 and 2001

*(figures are in millions of dollars except where indicated)*

##### 1. BASIS OF PRESENTATION

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the company's annual report.

These interim consolidated financial statements follow the same accounting policies and methods of their application as the December 31, 2001 consolidated annual financial statements except as disclosed in note 2.

##### 2. CHANGE IN ACCOUNTING POLICY

###### Foreign Exchange

Effective January 1, 2002, the company retroactively changed its method of accounting for foreign currency translation gains and losses on long-term debt, as recommended by the Canadian Institute of Chartered Accountants. Before 2002, exchange gains and losses were deferred and amortized over the life of the debt. Under the new method, gains and losses are recognized in the current period. The effect of adopting the new method on the prior period financial statements is as follows:

	October 1 to December 31 2001	January 1 to December 31 2001
Earnings as previously reported	\$ 9.3	\$ 126.5
Earnings as restated	\$ 10.5	\$ 114.9
Opening retained earnings as previously reported	\$ 874.1	\$ 782.8
Opening retained earnings as restated	\$ 839.9	\$ 761.4

### 3. DISCONTINUED OPERATIONS

#### **Retail Home Improvement**

On April 30, 2001 (the Measurement Date) the company adopted a plan to dispose of its retail home improvement operations and the majority of related real estate.

Effective June 6, 2001, the company sold substantially all of its retail home improvement operations for proceeds of \$184.7 million.

Results from discontinued operations are based on management's estimates. These include the proceeds on the sale of the real estate and other retained assets, closure and other costs related to the disposition of retail sales operations owned and other liabilities. Changes to these estimates resulted in earnings of \$8.5 million being recognized from discontinued operations in the fourth quarter of 2002.

Effective December 31, 2002, the remaining unsold real estate totaling \$40.4 million was reclassified to property, plant and equipment for the periods presented. Future gains and losses will be recorded as other income (expense).

#### **Convertible Obligation**

On the acquisition of a home improvement business in 1998, a subsidiary of the company issued 1,500,000 of its common shares. Under certain circumstances, the company had the right to issue common shares in satisfaction of a contractual repurchase. Accordingly, the present value was recorded in shareholder's equity as a convertible obligation. On July 13, 2001, the company acquired these shares for \$32.1 million, which resulted in a charge of \$12.6 million to retained earnings.

#### **Timber Plantations**

On June 29, 2001 the company sold its foreign timber plantations for net proceeds of \$72.2 million. The resulting gain on sale of \$33.3 million has been accounted for as discontinued operations. Available capital losses eliminate taxes on the sale.

## Discontinued Operations

The results of discontinued operations are as follows:

	October 1 to December 31		January 1 to December 31	
	2002	2001	2002	2001
<b>Retail operations</b>				
Loss to Measurement Date (net of tax recovery of \$0.8)	\$ -	\$ -	\$ -	\$ (0.9)
Gain (loss) on disposal (net of tax expense of \$3.6) (2001 – tax recovery of \$3.1)	8.5	6.1	8.5	(14.8)
Earnings (loss) from retail operations	8.5	6.1	8.5	(15.7)
<b>Timber plantations</b>				
Earnings (loss) from discontinued operations	\$ 8.5	\$ 6.1	\$ 8.5	\$ 17.6

#### 4. SHARE CAPITAL

During the year, the company issued 3,038,698 common shares pursuant to a 10% stock dividend and issued 84,443 common shares for \$2.7 million.

#### 5. EARNINGS PER SHARE

Basic earnings per share are calculated based on net earnings available to common shareholders, as set out below, using the weighted average number of common shares outstanding. Diluted earnings per share assume the settlement of the convertible obligation for common shares, if dilutive, and the exercise of options using the treasury stock method.

Earnings per share figures reflect the 10% stock dividend as if the shares had been outstanding from the beginning of the periods presented.

	October 1 to December 31			
	2002		2001	
	From continuing operations	After discontinued operations	From continuing operations	After discontinued operations
<b>Earnings</b>	\$ 27.1	\$ 35.6	\$ 4.4	\$ 10.5
Preferred share payments	-	-	(0.4)	(0.4)
Available to shareholders	\$ 27.1	\$ 35.6	\$ 4.0	\$ 10.1
<b>Weighted average shares (thousands)</b>				
Weighted average shares – basic	33,481	33,481	33,396	33,396
Stock options – treasury stock method	152	152	106	106
Weighted average shares - diluted	33,633	33,633	33,502	33,502
<b>Earnings per share (dollars)</b>				
Basic earnings per share	\$ 0.81	\$ 1.06	\$ 0.12	\$ 0.30
Diluted earnings per share	\$ 0.81	\$ 1.06	\$ 0.12	\$ 0.30

	January 1 to December 31			
	2002		2001	
	From continuing operations	After discontinued operations	From continuing operations	After discontinued operations
<b>Earnings</b>	<b>\$129.0</b>	<b>\$ 135.5</b>	\$97.3	\$ 114.9
Preferred share payments	(0.2)	(0.2)	(1.8)	( 1.8)
Convertible obligation accretion	-	-	-	(12.6)
Available to shareholders	<b>\$128.8</b>	<b>\$ 137.3</b>	\$95.5	\$ 100.5
<b>Weighted average shares (thousands)</b>				
Weighted average shares – basic	<b>33,457</b>	<b>33,457</b>	33,392	33,392
Stock options – treasury stock method	<b>298</b>	<b>298</b>	105	105
Weighted average shares - diluted	<b>33,755</b>	<b>33,755</b>	33,497	33,497
<b>Earnings per share (dollars)</b>				
Basic earnings per share	<b>\$ 3.85</b>	<b>\$ 4.11</b>	\$ 2.86	\$ 3.01
Diluted earnings per share	<b>\$ 3.82</b>	<b>\$ 4.07</b>	\$ 2.85	\$ 3.00

## 6. STOCK-BASED COMPENSATION

During 2002, the company issued 297,000 stock options to directors and officers at \$36.82 per share. No compensation expense has been recognized for these options. Had compensation expense for these stock options been determined based on the fair value at the grant date, consistent with the fair value based method of accounting for stock-based compensation, the company's earnings would have been reduced by \$0.8 million, or \$0.02 per share. The total fair value of the options issued during 2002 was \$4.7 million. The company has not calculated the fair value of stock options issued prior to January 1, 2002.

## 7. CONTINGENT LIABILITY

On April 25, 2002, the U.S. Department of Commerce ("USDOC") issued its final determination in the countervailing and antidumping investigations. The USDOC's final determination in the countervailing investigation resulted in a duty rate of 18.79% and an antidumping rate specific to the company of 2.18%, both to be posted by cash deposits.

On May 16, 2002, the United States International Trade Commission ("USITC") published its final determination on injury stating that Canadian softwood lumber threatens material injury to the U.S. industry. As a result, cash deposits have been required for shipments at the rates determined by the USDOC effective from May 22, 2002. All bonds posted before May 22, 2002 have been returned and cancelled. The company has reversed \$25.0 million related to the preliminary duties charged in 2001.

The company has incurred countervailing and antidumping duties of \$67.4 million, accounted for as a reduction in sales, for the period from May 22, 2002 to December 31, 2002.

The Company and other Canadian forest product companies, the Federal Government and Canadian provincial governments ("Canadian Interests") categorically deny the U.S. allegations and strongly disagree with the final countervailing and dumping determinations made by the USITC and USDOC. Canadian Interests continue to aggressively defend the Canadian industry in this trade dispute. Canadian Interests may appeal the decision of these administrative

agencies to 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 the results of these appeals. Notwithstanding the cash deposit rates established in the investigations, the final liability for the assessment of countervailing and anti-dumping duties will not be determined until each annual administrative review process is complete.

An administrative review is currently expected to begin sometime after May 31, 2003 and will be completed by approximately November 2004. The completion could extend beyond 2004 with the finalization of any appeals.

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West Fraser shares trade on the Toronto Stock Exchange under the following symbol:  
WFT

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