858 Beatty Street
Suite 501
Vancouver, B.C.
Canada V6B 1C1
Telephone: (604) 895-2700
Fax: (604) 681-6061

West Fraser Timber Co. Ltd

NEWS RELEASE
WEST FRASER TIMBER CO. LTD.
("WFT")
Thursday, February 19, 2009

Attention: Business & Financial Editors
Financial Analysts

West Fraser Announces Fourth Quarter and Annual Results

Vancouver, BC – **West Fraser Timber Co. Ltd**. today reported a loss of $70 million or $1.63 per share on sales of $746 million in the fourth quarter of 2008 and a loss of $137 million or $3.20 per share, on sales of $3,189 million for 2008. The quarterly loss includes an exchange loss of $46 million ($0.91 per share) on translation of long-term debt.

These results compare with previous periods as follows:

($ millions except earnings per share ("EPS"))	2008 YTD	2008 Q4	2008 Q3	2007 YTD	2007 Q4
Sales	3,189	746	848	3,316	782
EBITDA[1]	128	10	77	100	7
Operating earnings	(153)	(64)	8	(165)	(64)
Earnings	(137)	(70)	(2)	(36)	(3)
EPS ($)	(3.20)	(1.63)	(0.05)	(0.85)	(0.07)

Hank Ketcham, West Fraser's Chairman, President and CEO stated: "In 2008 our Company suffered its worst financial loss in its history as the lengthy and severe downturn of the U.S. housing market continued and, late in the year, global pulp markets collapsed."

Operational Results

The Company's lumber operations recorded EBITDA for the quarter of negative $48 million, compared to EBITDA of $29 million for the third quarter of 2008, reflecting a sharp decline in the price of lumber late in the fourth quarter. This decline resulted in a period-ending inventory adjustment which further contributed to the loss. The Company curtailed additional production

[1] *Throughout this News Release, reference is made to EBITDA (defined as operating earnings plus amortization and restructuring charge). Management of the Company believes that, in addition to earnings, EBITDA is a useful performance indicator and is a useful complementary measure of cash available prior to debt service, capital expenditures and income taxes. However, EBITDA is not a generally accepted earnings measure under Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by Canadian GAAP. Investors are cautioned that EBITDA should not be considered as an alternative to earnings or cash flow, as determined in accordance with Canadian GAAP, as an indicator of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. As there is no standardized method of calculating EBITDA, the Company's method of calculating EBITDA may differ from the methods used by other entities and, accordingly, the Company's use of that term may not be directly comparable to similarly titled measures used by other entities.*

late in the fourth quarter and has announced further curtailments beginning in February 2009. After taking these curtailments into account, approximately 30% of the Company's annual production capacity of 6 billion board feet has been curtailed. Many lumber producers have announced curtailments in an attempt to balance production against extremely weak demand.

Mr. Ketcham added: "We deeply regret the disruption to the lives of so many of our valued employees, their families and the communities in which we operate as a result of the production curtailments we have been forced to undertake."

Panel operations generated EBITDA for the quarter of $11 million compared to $5 million in the previous quarter.

Pulp and paper operations generated EBITDA of $42 million compared to $45 million in the previous quarter although demand fell off sharply late in the quarter.

Outlook

2009 is expected to be another very challenging year for West Fraser's lumber operations as a near-term recovery of the U.S. housing market appears unlikely. Demand for the Company's pulp and paper products is expected to be weak as the global economic recession continues. The Company will continue to assess its operating strategy in light of these poor conditions.

Annual Financial Statements and Management's Discussion & Analysis ("MD&A")

The Company's consolidated financial statements for the year ended December 31, 2008 and related MD&A is available on the Company's web site: www.westfraser.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under the Company's profile.

Dividend Declared

The Board of Directors of the Company has declared a dividend of $0.14 per share on the Common shares and the Class B Common shares in the capital of the Company, payable on April 3, 2009 to shareholders of record on March 20, 2009.

The Company

West Fraser is an integrated wood products company producing lumber, wood chips, LVL, MDF, plywood, pulp, linerboard, kraft paper and newsprint. The Company has approximately 8,500 employees and operations in western Canada and the southern United States.

Forward-Looking Statements

This News Release contains historical information, descriptions of current circumstances and statements about potential future developments including announced production curtailments and intended future actions and goals. The latter, which are forward-looking statements, are presented to provide reasonable guidance to the reader but their accuracy depends on a number of assumptions and is subject to various risks and uncertainties. Actual outcomes and results will depend on a number of factors that could affect the ability of the Company to execute its business plans, including those matters described in the 2008 annual Management's Discussion & Analysis under "Risks and Uncertainties" and may differ materially from those anticipated or projected. Accordingly, readers should exercise caution in relying upon forward looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances.

Conference Call

Investors are invited to listen to the quarterly conference call on Friday, February 20, 2009 at 8:30 a.m. Pacific Time (11:30 a.m. Eastern Time) by dialing 1-800-952-4972 (toll-free North America). The call may also be accessed through West Fraser's website at www.westfraser.com.

2008 MANAGEMENT'S DISCUSSION & ANALYSIS

This discussion and analysis by West Fraser's management ("MD&A") should be read in conjunction with the 2008 annual audited consolidated financial statements and accompanying notes. Dollar amounts are expressed in Canadian currency, unless otherwise indicated.

This MD&A contains historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results. The latter, which are forward-looking statements, are presented to provide reasonable guidance to the reader but their accuracy depends on a number of assumptions and is subject to various risks and uncertainties. Forward-looking statements are included under the headings "Business Outlook" and "Capital Structure and Liquidity". As well, the Table titled "Earning Sensitivity to Key Variables" and descriptions of announced but not implemented actions such as transactions and production curtailments, should be considered as forward-looking statements. Actual outcomes and results will depend on a number of factors that could affect the ability of the Company to execute its business plans, including those matters described under "Risks and Uncertainties", and may differ materially from those anticipated or projected. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances.

Throughout this MD&A reference is made to EBITDA (defined as operating earnings plus amortization and restructuring charge). Management of the Company believes that, in addition to earnings, EBITDA is a useful performance indicator and is a useful complementary measure of cash available prior to debt service, capital expenditures and income taxes. EBITDA is not a generally accepted earnings measure under Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by Canadian GAAP. Investors are cautioned that EBITDA should not be considered as an alternative to earnings or cash flow, as determined in accordance with Canadian GAAP, as an indicator of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. As there is no standardized method of calculating EBITDA, the Company's method of calculating EBITDA may differ from the methods used by other entities and, accordingly, the Company's use of that term may not be directly comparable to similarly titled measures used by other entities.

This MD&A includes references to benchmark prices over selected periods for products of the type produced by West Fraser. These benchmark prices do not necessarily reflect the prices obtained by West Fraser for those products during such period.

The information in this MD&A is as at February 19, 2009, unless otherwise indicated.

Matters Affecting Comparisons

This MD&A includes certain comparisons of the results for the year ended December 31, 2008 to the results for the years ended December 31, 2007 and 2006, and the results for the fourth quarter of 2008 (the "current quarter") to those of the third quarter of 2008 (the "previous quarter") and fourth quarter of 2007.

On March 31, 2007 the Company acquired 13 sawmills in the southern United States (the "U.S. Acquisition"). West Fraser's second, third and fourth quarter 2007 results include the results of those operations but they are not reflected in earlier reporting periods. This, and various significant one-time items described under "Annual Results", should be considered in these comparisons.

Annual Results

Sales and Earnings Comparison ($ millions, except as stated) **Table A**

Year ended December 31	**2008**	2007	2006
Sales by Segment			
Lumber	**1,645**	1,802	1,756
Panels	**428**	475	475
Pulp & Paper	**1,116**	1,039	1,095
Total	**3,189**	3,316	3,326
EBITDA	**128**	100	681
Amortization	**(281)**	(265)	(252)
Restructuring charge	**-**	-	(38)
Operating earnings	**(153)**	(165)	391
Operating Earnings by Segment			
Lumber	**(191)**	(207)	399
Panels	**(9)**	18	13
Pulp & Paper	**43**	7	(6)
Corporate & Other	**4**	17	(15)
Total	**(153)**	(165)	391
Less certain unusual items:			
Duty refund	**-**	-	(387)
Restructuring charge	**-**	-	38
Adjusted operating earnings[1]	**(153)**	(165)	42
Earnings	**(137)**	(36)	397
Basic earnings per share - $	**(3.20)**	(0.85)	9.29
Diluted earnings per share - $	**(3.20)**	(0.85)	9.21
Cash dividends per share - $	**0.56**	0.56	0.56
Total assets	**3,412**	3,562	4,025
Long-term debt	**616**	547	624
Cdn$1.00 converted to US$ – average	**0.938**	0.930	0.882

1. Adjusted operating earnings refers to total operating earnings less certain unusual items. Adjusted operating earnings is not a generally accepted earnings measure and should not be considered as an alternative to operating earnings as determined in accordance with Canadian GAAP. The Company's use of this term may not be directly comparable with similarly titled measures used by other companies.

Selected Quarterly Information

($ millions, except Earnings per share ("EPS") amounts which are in $) **Table B**

	Q4-08	**Q3-08**	**Q2-08**	**Q1-08**	Q4-07	Q3-07	Q2-07	Q1-07
Sales	**746**	848	823	772	782	827	948	759
Earnings	**(70)**	(2)	3	(68)	(3)	(12)	(15)	(6)
EPS[1]	**(1.63)**	(0.05)	0.08	(1.60)	(0.07)	(0.28)	(0.35)	(0.14)

1. Basic and diluted.

The severe downturn of the U.S. housing market continued to adversely affect the Company's 2008 operating earnings. Although log costs declined, continuing weak demand resulted in lower lumber prices and reduced production and sales compared to 2007. Pulp and paper markets were stronger during much of the year resulting in higher average product prices compared to 2007. The significant decline in adjusted operating earnings from 2006 reflects a combination of lower lumber prices, a stronger Canadian dollar and increased losses from the expanded U.S. lumber business in the later period.

West Fraser currently mitigates a portion of its foreign exchange exposure with a combination of put and call options at various values. As of December 31, 2008 West Fraser had entered into option contracts having terms through December, 2009 totalling US$240 million in respect of which unrealized gains totalling $2 million had been recognized. In addition, U.S. dollar-denominated debt and operations in the U.S. provide a further partial offset to exchange exposure.

U.S. dollar-denominated long-term debt is valued in Canadian dollars at the end of each reporting period applying the prevailing exchange rate. At the end of 2008 this resulted in an exchange loss of $68 million compared to a gain of $52 million at the end of 2007 and a loss of less than $1 million at the end of 2006. The effect of the translation of other foreign currency-denominated items, including U.S. operations until March 31, 2007 when they became self-sustaining, is included in other income (expense). For 2008 these items resulted in a $24 million translation gain compared to a $30 million translation loss in 2007 and a $12 million translation gain in 2006.

There were no significant one-time items included in earnings for 2008. In 2007 a gain of $10 million resulting from the termination of certain pulp supply contracts in connection with the U.S. Acquisition was included in other income.

In 2008 the Company entered into two agreements to acquire B.C. timber tenures but neither transaction was completed by the end of the year. The purchase of tenures located in the Kamloops region from Weyerhaeuser Company Limited announced in February 2008 has been the subject of a lengthy regulatory review. That process has recently been challenged by a First Nations band. The parties are continuing to work towards a completion of the transaction but there is currently no certainty of the timing of completion. The proposed purchase of the Stuart Lake mill and related timber tenure, which was announced in the third quarter of 2008, was not completed as contemplated under the agreement and the parties have had discussions concerning a possible restructuring of that transaction. The Company expects to have greater certainty concerning this transaction by the end of the first quarter of 2009.

In 2006 the following significant one-time items were included in earnings:

- A restructuring of operations at the Hinton pulp mill resulted in a charge of $38 million.

- The Softwood Lumber Agreement resulted in West Fraser recording duty refund income of $387 million and interest income of $50 million.

- The sale of a power purchase agreement resulted in a gain of $62 million.

- The sale of West Fraser's interest in the Burns Lake and Decker Lake sawmills and the related timber harvesting rights resulted in a gain of $22 million.

- The receipt of compensation for timber harvesting rights expropriated by the Province of British Columbia under the government's Forestry Revitalization Plan resulted in a gain of $14 million.

An income tax recovery of $83 million was recorded in 2008 compared to a 2007 recovery of $111 million. Note 15 to the accompanying consolidated financial statements provides a reconciliation of the statutory income tax rate to the effective income tax rate.

Annual Results by Product Segment

Lumber Segment

Table C

	2008	2007
Production (MMfbm)		
SPF	**3,389**	3,530
SYP	**1,570**	1,516
Shipments (MMfbm)		
SPF	**3,432**	3,546
SYP	**1,583**	1,599
Wood chip production		
SPF (M ODTs)	**1,764**	1,812
SYP (M green tons)	**2,246**	2,255
Sales ($ millions)	**1,645**	1,802
EBITDA ($ millions)	**(51)**	(85)
EBITDA margin (%)	**n/a**	n/a
Operating earnings ($ millions)	**(191)**	(207)
Capital expenditures ($ millions)	**27**	49
Benchmark prices (US$ per Mfbm)		
SPF #2 & Better 2 x 4[1]	**221**	250
SYP #2 West 2 x 4[2]	**297**	279

1. Source: Random Lengths – 2 x 4, #2 & Better – Net FOB mill.
2. Source: Random Lengths – 2 x 4 – Net FOB mill Westside.

The substantial operating loss reflects the effect of the prolonged U.S. housing slump which continued throughout 2008. In response to deteriorating lumber markets, the Company implemented a series of temporary, market-related production curtailments at certain Canadian and U.S. operations. At the end of 2008 the Company's idled production represented, on an annualized basis, approximately 671 MMfbm in Canada and 674 MMfbm in the U.S. Although total SYP production increased marginally in 2008 compared with the previous year, 2007 included only nine months of production from 13 newly-acquired mills.

In early 2009, as lumber prices continued to decline, the Company announced and initiated additional production curtailments in both Canada and the United States. Curtailments took the form of mill closures for specific periods as well as the reduction of production hours on an indefinite basis. Once these curtailments are fully implemented, the Company will be producing lumber at approximately 70% of total capacity.

Reduced lumber production resulted in higher per unit manufacturing costs, although cost reduction was a major priority for the Company throughout the year. Capital expenditures were significantly reduced as part of a cash preservation strategy. The expansion of planer capacity for the Quesnel sawmill was the major capital expenditure in 2008.

Reduced lumber production resulted in lower demand for logs. As a result, log costs were approximately 15% lower in 2008 compared to 2007.

The extreme weakness of the U.S. housing market resulted in a continuing decline in the benchmark price for SPF lumber. This benchmark weakened to historically low levels near the end of the current quarter, resulting in significant negative adjustments to year-end log and SPF lumber inventories.

SYP lumber is less dependent on the U.S. housing market and its benchmark price actually increased in 2008 over 2007. However, the Company's average mill realizations for SYP lumber declined 6% in 2008 as prices for the wider dimensions sold at a significant discount to the benchmark.

The processing of mountain pine beetle-killed timber continues to adversely affect productivity at the Company's sawmills in B.C. and, to a much lesser degree, in Alberta. The Company has been successful in at least partially mitigating the reduced log quality with improved technology and operating techniques. A description of some of the key implications of the mountain pine beetle infestation is included under "Risks and Uncertainties".

The Company's exports of softwood lumber from Canada to the U.S. remain subject to a 15% export tax. For two months during 2008 exports from Alberta to the U.S. were subject to a 22.5% export tax as shipments exceeded a prescribed "surge" level. The Softwood Lumber Agreement also provides for the refund of a portion of export taxes paid if certain market-share threshold conditions are met for two consecutive quarters. The conditions were met for the two consecutive quarters ending March 31, 2008 resulting in export tax expense being reduced by $9 million.

Total export taxes expensed by the Company during 2008 were $54 million compared to $84 million in 2007 as a result of the lower price of lumber in 2008 and the refund due to the market-share adjustment.

Panels Segment

Table D

	2008	2007
Plywood (MMsf 3/8" basis)		
Production	**814**	768
Shipments	**815**	748
MDF (MMsf 3/4" basis)		
Production	**224**	276
Shipments	**221**	284
LVL (Mcf)		
Production	**1,264**	2,291
Shipments	**1,614**	2,179
Sales ($ millions)	**428**	475
EBITDA ($ millions)	**29**	59
EBITDA margin (%)	**7**	12
Operating earnings ($ millions)	**(9)**	18
Capital expenditures ($ millions)	**1**	8
Benchmark price		
Plywood (per Msf 3/8" basis)[1] Cdn$	**337**	376
MDF (per Msf 3/4" basis)[2] US$	**530**	461

1. Source: Crow's Market Report – Delivered Toronto.
2. Source: Resource Information Systems, Inc. – MDF Western U.S. – Net FOB mill.

The panels segment is comprised of the Company's plywood, MDF and LVL operations, all of which were affected by lower demand, largely as a result of the decline in home construction in North America.

Improved operating efficiency resulted in increased plywood production in 2008 compared to the previous year. Per unit cost of production was lower as a result of increased production as well as lower average log costs. Average plywood prices declined by approximately 10% in response to reduced building activity in Canada through the year.

MDF production was reduced in 2008 in response to continued weak demand. Production was curtailed at one of West Fraser's MDF plants through 2008 by approximately 30%. The other MDF plant curtailed production for a total of five weeks late in 2008 for both market-related reasons and maintenance downtime. Per unit manufacturing costs increased as a result of the curtailments and higher resin costs. Although demand for MDF softened markedly during the year, industry-wide production curtailments were sufficient to allow prices to increase. Combined curtailment of the MDF plants is currently approximately 25% of capacity.

West Fraser's LVL plant operated on a curtailed basis for all of 2008. Prices remained low throughout the year.

Capital spending for the panels segment was very limited reflecting a Company-wide cash preservation strategy.

Pulp & Paper Segment

Table E

	2008	2007
Sales ($ millions)	**1,116**	1,039
EBITDA ($ millions)	**143**	106
EBITDA margin (%)	**13**	10
Operating earnings ($ millions)	**43**	7
Capital expenditures ($ millions)	**17**	45

Improved operating earnings reflected higher product prices and lower manufacturing costs compared with 2007.

Capital spending was tightly controlled in anticipation of the market downturn.

Labour contracts expired at three of the pulp and paper operations and were successfully renegotiated in 2008.

Pulp[1]

Table F

	2008	2007
Production – NBSK (Mtonnes)	**483**	466
Shipments – NBSK (Mtonnes)	**488**	448
Production – BCTMP (Mtonnes)	**559**	577
Shipments – BCTMP (Mtonnes)	**522**	585
Benchmark price – NBSK (per tonne)[2] US$	**856**	824

1. For Cariboo Pulp & Paper Company, includes West Fraser's 50% share.
2. Source: Resource Information Systems, Inc. – U.S. list price, delivered U.S.

Improved production at the Hinton mill, partially offset by lower production at the Cariboo mill, resulted in the increase over 2007 levels. In 2007 the rebuild of the #2 pulp machine at Hinton was completed and the original pulp machine was decommissioned. Production on the rebuilt machine increased throughout 2008, reaching capacity by year end. Lower production at the Cariboo mill resulted, in large part, from an extended, planned maintenance shutdown in 2008 (2008 - 22 days; 2007 - 12 days).

To the end of the third quarter both BCTMP mills were operating at record levels. In the fourth quarter production at both BCTMP mills was significantly curtailed in response to a very sharp decline in demand for BCTMP, particularly from China. The BCTMP mills are currently operating at approximately 75% of capacity. In February 2009 the Company announced additional curtailments at the two BCTMP mills in response to continuing weak demand. The additional curtailments are expected to reduce production by 50,000 metric tonnes over the period ending May 31, 2009.

Unit production costs for NBSK were lower in 2008 compared to 2007, largely as the result of improved operations at the Hinton mill which more than offset the higher fibre, chemical and energy costs at both mills. Higher fibre and chemical costs, as well as the curtailed production levels in the fourth quarter, contributed to higher unit production costs for BCTMP operations.

Prices for NBSK and both hardwood and softwood BCTMP increased through the first half of 2008 but began to decline in the third quarter in response to falling demand.

North American NBSK U.S. dollar list prices averaged 4% higher in 2008 than in 2007, although prices at the end of 2008 were 16% lower than at the end of 2007. The Canadian dollar weakened during 2008, but on average the value of the Canadian dollar was maintained near the 2007 level. Demand for NBSK declined in the second half of the year reflecting the global economic slowdown that accelerated during the later stages of 2008.

Demand for BCTMP weakened significantly in the latter part of the year, also as a result of the global economic slowdown, with South East Asian markets particularly hard hit. As a result of this decline in demand, BCTMP shipments lagged production in the latter half of the year. U.S. dollar prices for BCTMP averaged nearly 15% higher in 2008 compared to 2007. As with NBSK, U.S. dollar prices for BCTMP at the end of 2008 were significantly lower than at the end of 2007.

Linerboard and Kraft Paper

Table G

	2008	2007
Production – Mtonnes	**441**	427
Shipments – Mtonnes	**428**	420
Benchmark price – Linerboard (per tonne)[1] US$	**641**	586

1. Source: Pulp & Paper Week – Unbleached linerboard kraft, East.

Despite achieving increased production compared with 2007, the Kitimat facility experienced several unanticipated operational disruptions during the year.

Production costs were slightly lower in 2008 compared to 2007 although fibre costs were 13% higher than 2007 levels.

Linerboard and kraft paper prices increased through the first three quarters of the year. For linerboard, supply reductions and strong demand contributed to U.S. price increases of approximately 9% year over year. Higher prices were also realized in kraft paper markets through the first three quarters of the year. Late in the third quarter as the global economy weakened, prices for kraft paper and, to a lesser extent, linerboard, began to decline.

Newsprint[1]

Table H

	2008	2007
Production – Mtonnes	**125**	125
Shipments – Mtonnes	**125**	123
Benchmark price – (per tonne)[2] US$	**695**	585

1. Represents West Fraser's 50% share of ANC.
2. Source: Resource Information Systems, Inc. – delivered U.S. 48.8 gram.

Total newsprint production remained constant in 2008 compared to 2007 despite a decline in the average basis weight.

Newsprint prices increased through the first three quarters of 2008 as newsprint industry capacity reductions in late 2007 and early 2008 offset the continuing decline in demand. In the fourth quarter prices declined.

4th Quarter Results

Table I

	Q4 – 2008	Q3 – 2008	Q4 – 2007
Production			
Lumber – MMfbm			
SPF	**794**	867	844
SYP	**321**	384	433
	1,115	1,251	1,277
Plywood – MMsf (3/8” basis)	**202**	207	192
MDF – MMsf (3/4” basis)	**45**	60	71
LVL – Mcf	**424**	239	392
BCTMP – Mtonnes	**104**	157	147
NBSK – Mtonnes	**135**	118	130
Linerboard and Kraft Paper – Mtonnes	**110**	120	123
Newsprint – Mtonnes	**31**	31	32
Shipments			
Lumber – MMfbm			
SPF	**852**	861	873
SYP	**316**	398	456
	1,168	1,259	1,329
Plywood – MMsf (3/8” basis)	**201**	211	179
MDF – MMsf (3/4” basis)	**46**	53	69
LVL – Mcf	**501**	435	404
BCTMP – Mtonnes	**93**	108	145
NBSK – Mtonnes	**117**	125	125
Linerboard and Kraft Paper – Mtonnes	**101**	115	123
Newsprint – Mtonnes	**31**	31	31
Sales and Earnings Comparison ($ millions)			
Sales by Segment			
Lumber	**385**	458	402
Panels	**104**	108	110
Pulp & Paper	**257**	282	270
Total	**746**	848	782

	Q4 – 2008	Q3 – 2008	Q4 – 2007
Operating Earnings by Segment ($ millions)			
Lumber	**(86)**	(5)	(79)
Panels	**1**	(5)	2
Pulp & Paper	**17**	20	11
Corporate & Other	**4**	(2)	2
Operating earnings	**(64)**	8	(64)
Interest expense	**(9)**	(8)	(9)
Exchange gain (loss) on long-term debt	**(46)**	(13)	1
Other income	**16**	10	2
Recovery of income taxes	**33**	1	67
Earnings	**(70)**	(2)	(3)
Cdn$1.00 converted to US$ – average	**0.825**	0.961	1.019

Table J shows selected average benchmark prices during the fourth quarter of 2008 compared to the previous quarter and the fourth quarter of 2007 for products of the type produced by West Fraser, although these prices do not necessarily reflect the prices obtained by it.

Table J

Average Benchmark Prices (in US$, except plywood)	**Q4 – 2008**	Q3 – 2008	Q4 – 2007
SPF 2 x 4 random length (per Mfbm)[1]	**185**	262	230
SYP #2 West 2 x 4 (per Mfbm)[2]	**277**	309	289
Plywood (per Msf 3/8" basis)[3] Cdn$	**335**	333	376
MDF (per Msf 3/4" basis)[4]	**524**	549	465
Newsprint (per tonne)[5]	**765**	728	569
NBSK (per tonne)[6]	**785**	880	858
Linerboard (per tonne)[7]	**668**	672	612

Sources:
1. Random Lengths – 2 x 4, #2 & Better – Net FOB mill.
2. Random Lengths – 2 x 4 – Net FOB mill Westside.
3. Crow's Market Report – Delivered Toronto.
4. Resource Information Systems, Inc. – MDF Western U.S. – Net FOB mill.
5. Resource Information Systems, Inc. – U.S. delivered 48.8 gram.
6. Resource Information Systems, Inc. – U.S. list price, delivered U.S.
7. Pulp & Paper Week – Unbleached linerboard kraft, East.

Significantly lower lumber and pulp prices and lower production and shipments for lumber and BCTMP in the current quarter contributed to the sharp decline in operating earnings from the previous quarter. The operating loss in the current quarter was similar to that of the same quarter in 2007 as improved earnings from the pulp & paper segment were largely offset by increased losses from the lumber segment.

Lower prices for both SPF and SYP lumber and the effects of production curtailments in the current quarter all contributed to greater operating losses for the lumber segment compared to the previous quarter and the same quarter in 2007. The net effect of the current quarter-ending log and lumber inventory write-down after taking into account the effect of the previous quarter's comparable write-down, was a charge against earnings in the current quarter of $28 million. A reduction in softwood lumber export taxes of approximately $9 million, attributable to the market-share adjustment allowed under the Softwood Lumber Agreement, was recorded in the current quarter.

The improvement in operating earnings for the panels segment in the current quarter over the previous quarter was generally attributable to lower log costs.

Lower operating earnings for the pulp & paper segment compared to the previous quarter reflects lower prices for all pulp grades as well as curtailed production at two pulp mills, partially offset by higher average newsprint prices and a weaker Canadian dollar in the current quarter. Compared to the same quarter of 2007, higher prices for linerboard and newsprint and the lower value of the Canadian dollar contributed to improved earnings in the current quarter, while higher fibre and chemical costs partially offset the increase.

The Canadian dollar weakened significantly against the U.S. dollar during the last half of 2008. Other income of $16 million for the current quarter consisted mainly of gains on the translation of U.S. dollar-denominated accounts receivable as well as an approximately $2 million gain on the valuation of currency options entered into in the quarter. In the previous quarter, other income included gains on the translation of U.S. dollar-denominated accounts receivable as well as a gain of approximately $4 million relating to certain asset sales. Other income in the fourth quarter of 2007 of $2 million included gains on various asset sales.

The change in the value of the Canadian dollar relative to the U.S. dollar in the current quarter resulted in a loss of $46 million on the Company's U.S. dollar-denominated long-term debt. This compares to a loss of $13 million the previous quarter and a gain of $1 million in the fourth quarter of 2007.

During the current quarter the Company negotiated a new collective agreement covering its unionized employees at its Hinton Pulp and Hinton Wood Products facilities.

Business Outlook

Unsold homes and increasing foreclosures are expected to continue to severely restrict new U.S. home construction. Therefore, 2009 is expected to be another very challenging year for lumber manufacturers, including West Fraser. Until there is sufficient improvement in the U.S. housing market, widespread capacity reductions are likely to continue to take place in the industry to reduce the still prevailing oversupply of lumber. By the end of 2008 the annualized lumber production curtailments implemented by West Fraser totalled approximately 1,345 MMfbm. In January, 2009 an additional 446 MMfbm of annualized lumber production curtailments were announced. West Fraser will continue to review its operating economics and will initiate further partial or total mill shutdowns if necessary.

The Company anticipates that as lumber prices remain very low it will continue to be challenged in sourcing timber at prices that will permit its lumber operations to achieve profitability. Timber prices do not necessarily respond to changes in lumber prices. In B.C. the quality of mountain pine beetle-affected logs is expected to deteriorate which is likely to reduce mill operating efficiencies unless offset by improvements in technology or production techniques.

The slowdown in the Canadian economy has significantly reduced both housing starts and repair and renovation activity. Plywood prices are not expected to materially improve until the Canadian housing market begins to recover. MDF and LVL prices are not expected to improve until the U.S. housing market begins to recover.

NBSK, BCTMP and linerboard prices, all severely affected late in 2008 by the global economic slowdown, are not expected to recover until the U.S., European and Asian economies begin to improve and sufficient supply has been removed from the markets. Newsprint prices, which weakened severely late in 2008, are expected to further decline in 2009.

West Fraser's low-cost operating philosophy, its careful control of expenditures and the financial flexibility provided by its $600 million committed revolving credit facility should permit West Fraser to fully participate in the benefits of the eventual North American housing recovery.

Key uncertainties facing West Fraser in 2009 include potential commodity price movements and changes in the value of the U.S. dollar compared with the Canadian dollar. Table K outlines West Fraser's earnings sensitivity to key variables.

Earning Sensitivity to Key Variables

(based on year-end capacities[1] - $ millions except where otherwise stated) **Table K**

Factor	**Variation**		**Change in Earnings**
Lumber price[2,3]	US$50	Change per Mfbm	207
Plywood price[2,3]	Cdn$50	Change per Msf	28
MDF price[3]	US$50	Change per Msf	10
NBSK price[3]	US$50	Change per tonne	18
BCTMP price[3]	US$50	Change per tonne	20
Linerboard and kraft price[3]	US$50	Change per tonne	16
Newsprint price	US$50	Change per tonne	5
U.S. – Canadian $ exchange rate[4]	US$0.01	Change per Cdn $	14
Sawlog cost	Cdn$1	Change per m^3	15

1. Assumes exchange rate of Cdn$1.00 per US$1.00 and an income tax rate of 31%.
2. Change does not include any potential change in log costs.
3. Change does not include any potential change in wood chip prices.
4. Excludes exchange impact on translation of U.S. dollar-denominated debt and other monetary items; assumes no change in commodity prices.

Capital Structure and Liquidity

The capital structure of the Company consists of Common share equity and long-term debt. In addition, the Company maintains a revolving credit facility that is available to meet additional funding requirements.

The Common share equity consists of 39,998,608 Common shares and 2,806,478 Class B Common shares for a total of 42,805,086 shares issued and outstanding as at December 31, 2008 (2007 - 42,805,086). During the year, 78,728 Class B Common shares were exchanged for Common shares.

Class B Common shares are equal in all respects to Common shares and are exchangeable on a one-for-one basis for Common shares. Common shares are listed for trading on the Toronto Stock Exchange while Class B Common shares are not.

West Fraser's long-term debt consists of various debentures and notes denominated in both Canadian and U.S. dollars. A summary of the particulars of each of these is as follows:

Cdn$150 million 4.94% debentures due in October 2009
Cdn$100 million floating rate term note due in March 2010
US$300 million 5.2% senior notes due in October 2014
Cdn$2.8 million 5.5% note due in instalments to 2020

The Company intends to seek suitable additional long-term funding required to repay the $150 million debentures in October 2009 as well as the $100 million term note due in March 2010. If such arrangements cannot be made, the Company intends to access its revolving credit facility in order to fund these debt repayments.

In 2008 West Fraser repaid $2 million of its long-term debt and reduced its operating loan by $119 million.

West Fraser maintains a $600 million revolving credit facility which is committed until March 31, 2012. In 2008 the Company and participating banks amended this credit facility to allow for additional borrowings of up to $100 million, subject to sourcing new lenders for this additional amount. To date the Company has not accessed this additional facility. This amendment also eliminated the requirement for the Company to maintain a specified interest coverage, except in the circumstance where the debt to total capitalization ratio exceeds 37.5%. As shown in Table L, the Company's debt to total capitalization as at the end of 2008 was well below that percentage. Copies of the credit agreement and the 2008 amendment are available at www.sedar.com. At December 31, 2008 the balance owing under the revolving credit facility, net of deferred financing costs, was $30 million (2007 - $145) and letters of credit in the amount of $30 million were supported by this facility.

Summary of Financial Position ($ millions, except as otherwise indicated) **Table L**

As at December 31	**2008**	2007
Cash[1]	4	(4)
Current assets	841	877
Current liabilities	482	495
Ratio of current assets to current liabilities	1.7	1.8
Net debt	642	696
Shareholders' equity	2,030	2,087
Net debt to capitalization[2] - %	24	25

1. Cash consists of cash and short-term investments less cheques issued in excess of funds on deposit.
2. Net debt (total debt less cash) divided by net debt plus shareholders' equity.

All of West Fraser's debt, other than current borrowings incurred from time to time for its joint venture newsprint mill, is unsecured and ranks equally in right of payment.

West Fraser is rated as investment grade by leading rating agencies. In 2008 Moody's changed its outlook from "Stable" to "Negative" reflecting its concern regarding the Company's weakening credit metrics in the face of the depressed U.S. housing market and the slowing global economy.

Debt Ratings		**Table M**
Agency	**Rating**	Outlook
Dominion Bond Rating Service	**BBB-**	Stable
Moody's	**Baa3**	Negative
Standard & Poor's	**BBB-**	Negative

West Fraser's cash requirements, other than for operating purposes, are primarily for interest payments, repayment of debt, additions to property, plant, equipment and timber, acquisitions and payment of dividends. In normal business cycles and in years without a major acquisition or debt repayment, cash on hand and cash provided by operations have usually been sufficient to meet these requirements.

Selected Cash Flow Items ($ millions)		**Table N**
For the year ended December 31	**2008**	2007
Operating Activities		
Cash provided before working capital changes	**140**	81
Non-cash working capital change	**39**	(323)
Cash provided by (used in) operating activities	**179**	(242)
Financing Activities		
Debt and operating loans	**(122)**	123
Dividends and other	**(24)**	(22)
Cash provided by (used in) financing activities	**(146)**	101
Investing Activities		
Acquisition	**-**	(380)
Additions to property, plant, equipment & timber	**(47)**	(104)
Other – net	**21**	16
Cash used in investing activities	**(26)**	(468)
Change in cash	**7**	(609)

Since the beginning of the downturn in the U.S. housing market in 2006 and, more recently, with the global financial crisis and the resulting significant restrictions on credit availability, the Company has implemented several actions to maintain liquidity and conserve cash. Actions taken include reducing operating costs and capital spending, managing working capital levels, implementing production curtailments and sales of selected non-core assets.

Contractual Obligations at December 31, 2008 ($ millions)[1] **Table O**

	2009	2010	2011	2012	2013	Thereafter	Total
Long-term debt	150	100	1	-	-	367[2]	618
Operating leases	5	3	2	1	-	-	11
Asset purchase commitments	6	-	-	-	-	-	6
Total	161	103	3	1	-	367	635

1. Contractual obligations means an agreement related to debt, leases and enforceable agreements to purchase goods or services on specified terms, but does not include asset retirement obligations, energy purchases under various agreements, accounts payable in the ordinary course of business or contingent amounts payable.
2. Represents U.S. dollar-denominated debt of US$300 million.

Significant Management Judgments Affecting Financial Results

The preparation of financial statements requires management to make estimates and assumptions, and to select accounting policies, that affect the amounts reported in the financial statements. The significant accounting policies followed by West Fraser are disclosed in Note 1 to its audited consolidated financial statements. The following items are the judgments considered most significant.

Asset Valuation

West Fraser reviews amortization periods for its manufacturing equipment and machinery to ensure that they appropriately reflect anticipated obsolescence and technological change. Current amortization periods for manufacturing equipment range from 10 to 20 years with sawmill equipment amortized over a maximum of 15 years. Timber rights are amortized over periods up to 60 years. In addition to reviewing the appropriateness of the amortization periods, West Fraser periodically compares the estimated future cash flows of certain assets to the carrying value of the asset to ensure that carrying values are appropriate.

As goodwill is not amortized West Fraser annually compares the carrying value of goodwill to the estimated discounted cash flows from the assets to which the goodwill relates. If it is determined that the carrying value is more than the estimated discounted cash flows, the carrying value of goodwill will be adjusted accordingly. West Fraser tested its goodwill for impairment in 2008 and has concluded that a write down is not required. The testing of goodwill impairment involves a significant amount of estimation including future production and sales volumes, product selling prices, foreign exchange rates, operating costs and the appropriate discount rate to apply. In all cases, West Fraser has used its best estimates of these future amounts. Given the current global economic uncertainty and the volatility of the markets for West Fraser's products, it is possible that the Company's estimates will be updated in the future and that these updated estimates could result in the future impairment of goodwill.

West Fraser reviews the carrying value of future income tax assets periodically to ensure that the carrying value is appropriate. The key factors considered are the Company’s future expectations of profitability and the timing of expiry of tax loss carryforwards.

Reforestation Obligation and Other Asset Retirement Obligations

West Fraser’s Canadian operations are required by provincial regulations to carry out reforestation to ensure re-establishment of the forest after harvesting. Reforested areas must be tended for a period sufficient to ensure that they are well-established. The time to meet regulatory requirements depends on a variety of factors. In West Fraser’s operating areas, the time usually spans 12 to 15 years. The estimated total cost of reforestation is accrued as harvesting takes place. West Fraser records the estimated fair value of a liability for other asset retirement obligations, such as landfill closures, in the period when a reasonable estimate of fair value can be made. These estimates are reviewed by the Company at least annually, and adjusted as appropriate.

Defined Benefit Plan Assumptions

West Fraser maintains defined benefit pension plans for many of its employees. The annual funding requirements and pension expense are based on various assumptions determined by the Company as well as on actual investment returns on the pension fund assets and changes to the employee groups in the pension plans. The Company takes a long-term, conservative view in making assumptions with respect to the funding of the pension plans.

Defined Benefit Pension Plan Obligation Assumptions **Table P**

	2008	2007
Discount rate	7.25%	5.75%
Expected rate of return on plan assets	7.00%	7.00%
Rate of increase in future compensation	3.50%	3.50%

Based on the 2008 investment returns of the pension fund and the expected future returns on plan assets, the Company anticipates that the required contributions for defined benefit plans in 2009 will be approximately $49 million, representing an increase of $8 million over 2008 contributions.

Changes in Accounting

2008

Effective January 1, 2008 the Company adopted new accounting standards 1535, 3031, 3862 and 3863 and effective December 31, 2008 the Company adopted new accounting standard 3064, all issued by the Canadian Institute of Chartered Accountants. These standards are described below.

a) *Section 1535 – Capital disclosures*

This section requires the Company to disclose its objectives, policies and processes for managing capital.

b) *Section 3031 - Inventories*

This section, among other things, requires that inventories be measured at the lower of cost and net realizable value. This has resulted in the Company changing its method for valuing chip and pulp log inventories which were previously valued at the lower of cost and replacement cost. In addition, the Company began amortizing certain deferred major maintenance expenditures over the period to the next major maintenance outage as opposed to amortizing them on a calendar year basis, and began expensing certain storage and handling costs that were previously included in inventory.

The Company adopted the new standard on a retroactive basis without restatement of prior periods. As a result, the Company recorded an increase of $10 million to opening 2008 retained earnings, an increase in future income tax liabilities of $5 million, an increase of $18 million to prepaid expenses and a decrease of $4 million to inventories, for the cumulative effect on prior years from the adoption of this standard.

c) *Section 3862 and 3863 – Financial instrument presentation and disclosure*

These sections enhance the disclosure requirements of the nature and extent of risks arising from financial instruments and how the Company manages those risks.

d) *Section 3064 – Goodwill and intangible assets*

This section establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, EIC-27 "Revenues and Expenditures in the Pre-operating Period" is no longer applicable. As a result, pre-production and start-up costs may no longer be capitalized as part of property, plant and equipment.

On December 31, 2008 the Company adopted the new standard on a retroactive basis with restatement of prior periods. As a result, the 2007 consolidated financial statements were changed to decrease opening retained earnings by $1 million, decrease property, plant, equipment and timber by $4 million, decrease future income tax liabilities by $1 million, and decrease earnings by $2 million (net of future income taxes of $1 million).

2007

The Company has determined that its foreign operations became self-sustaining upon the acquisition of 13 sawmills in the United States (see Note 3 of the accompanying annual consolidated financial statements). Accordingly, on March 31, 2007 the Company changed its translation method from the temporal method to the current rate method. The result of this change was an adjustment of $18 million to accumulated other comprehensive earnings included in shareholders' equity as at March 31, 2007. Subsequent unrealized gains or losses on the translation of foreign operations are included in other comprehensive earnings from the date of the change.

New Accounting Pronouncements

In February, 2008 the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canada's current GAAP for publicly-accountable, profit-oriented enterprises effective January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported for the year ended December 31, 2010.

West Fraser is currently in the process of identifying the differences between Canadian GAAP and IFRS and identifying how these differences may affect the reporting of the Company's financial results. A project plan is being developed and resource and training requirements are being assessed. Over the next two years changes will be implemented and work performed to ensure the accuracy and effectiveness of the transition to IFRS. At this time it is not possible to determine how reporting according to IFRS will affect future financial statements.

Risks and Uncertainties

Product Price Fluctuations

West Fraser's financial performance is principally dependent on the demand for, and selling prices of, its products. Both are subject to significant fluctuations. The markets for lumber, panels, pulp, paper, wood chips and other wood products are highly volatile and are affected by factors such as global economic conditions including the strength of the U.S. housing market, changes in industry production capacity, changes in world inventory levels and other factors beyond West Fraser’s control. In addition, interest rates and access to credit have a significant effect on residential construction and renovation activity, which in turn influences the demand for, and price of, building materials such as lumber and panel products.

West Fraser cannot predict future market conditions, product demand or pricing due to factors outside its control. Prolonged or severe weakness in the market for any of its principal products would adversely affect West Fraser’s financial condition. West Fraser’s earnings sensitivity to changes in certain product prices is set out in Table K.

Foreign Currency Exchange Rates

Most of West Fraser’s products are sold at prices denominated in U.S. dollars or based on prevailing U.S. dollar prices, but a significant portion of its operational costs and expenses are incurred in Canadian dollars. Therefore, an increase in the value of the Canadian dollar relative to the U.S. dollar reduces the revenue in Canadian dollar terms realized by West Fraser from sales made in U.S. dollars, which reduces operating margin and the cash flow available to fund operations. West Fraser is also exposed to the risk of exchange rate fluctuations in the period between sale and payment. West Fraser also has a substantial amount of long-term debt repayable in U.S. dollars which is valued in Canadian dollars at the end of each reporting period applying the prevailing exchange rate. Exchange rate fluctuations result in exchange gains or losses. This results in significant earnings sensitivity to changes in the Canadian/U.S. dollar exchange rate as disclosed in Table K. The Canadian/U.S. dollar exchange rate is affected by a broad range of factors which makes future rates difficult to accurately predict.

Operations

Availability of Fibre and Changes in Stumpage Fees

Substantially all of West Fraser's Canadian log requirements are harvested from Crown lands. Provincial governments prescribe the methodologies that determine the amounts of stumpage fees that are charged in respect of harvesting on Crown lands and changes to the methodologies or rates may adversely affect the Company's results.

West Fraser relies on log supply agreements in the United States which are subject to log availability and based on market prices. Currently, approximately 20% of the aggregate log requirements for West Fraser’s 15 sawmills are supplied under long-term agreements with the balance purchased on the open market. Changes in market conditions for these logs may adversely affect West Fraser’s results.

Operational Curtailments and Transportation Limitations

From time to time, West Fraser suspends operations at one or more of its facilities or logging operations in response to market conditions, environmental risks, or other operational issues, including power failures, equipment breakdowns, adverse weather conditions, labour disruptions and fire hazards. These unscheduled operational suspensions could have a material adverse effect on West Fraser's financial condition. If wood chip production is reduced because of sawmill production curtailments, improved lumber manufacturing efficiencies or any other reason, pulp and paper operations may incur additional costs to acquire additional wood chips or be forced to reduce production. Conversely, pulp and paper mill production curtailments may require sawmills to find other ways to dispose of residual wood fibre and may result in curtailment or suspension of lumber production.

West Fraser relies primarily on third parties for the delivery of raw materials and the transportation of its products. From time to time, West Fraser must also respond to rail car and truck shortages that limit raw material deliveries to it and product deliveries to its customers, which may have a material adverse effect on West Fraser's business.

Labour Relations

West Fraser employs a unionized workforce in a number of its operations. Walkouts or strikes by employees could result in lost production and sales, higher costs and supply constraints that could have a material adverse impact on West Fraser's business. Also, West Fraser depends on a variety of third parties that employ unionized workers to provide critical services to the Company. Labour disputes experienced by these third parties could lead to disruptions at Company facilities.

Environment

West Fraser's operations are subject to regulation by federal, provincial, state and local environmental authorities, including industry-specific environmental regulations relating to air emissions and pollutants, wastewater (effluent) discharges, solid waste, landfill operations, forestry practices, site remediation and the protection of endangered species and critical habitat. West Fraser has incurred, and will continue to incur, capital expenditures and operating costs to comply with environmental laws and regulations. No assurance can be given that changes in these laws and regulations or their application will not have a material adverse effect on West Fraser's business, operations, financial condition and operational results. Similarly, no assurance can be given that capital expenditures necessary for future compliance with existing and new environmental laws and regulations could be financed from West Fraser's available cash flow. West Fraser may discover currently unknown environmental problems, contamination, or conditions relating to its past or present operations. This may require site or other remediation costs to maintain compliance or correct violations or result in governmental or private claims for damage to person, property or the environment, which could have a material adverse effect on West Fraser's business, financial condition and operational results.

West Fraser has in place internal programs under which all its forestry and manufacturing operations are audited for compliance with laws and accepted standards and with its management systems. West Fraser's woodlands operations in Canada, and the harvesting operations of its key

U.S. suppliers, are third-party certified to internationally-recognized sustainable forest management standards. West Fraser's operations and its ability to sell its products could be adversely affected if those operations did not, or were perceived by the public as failing to, comply with applicable laws and standards, including responsible environmental and sustainable forestry standards.

Natural Disasters

West Fraser's operations are subject to adverse natural events such as forest fires, severe weather conditions, timber disease and insect infestation, and earthquake activity. These events could damage or destroy West Fraser's physical facilities or its timber supply and similar events could also affect the facilities of its suppliers or customers. Any such damage or destruction could adversely affect West Fraser's financial results. Although West Fraser believes it has reasonable insurance arrangements in place to cover certain of such incidents, there can be no assurance that these arrangements will be sufficient to fully protect the Company against such losses. As is common in the industry, West Fraser does not insure loss of standing timber for any cause.

Mountain Pine Beetle

The long-term effect of the mountain pine beetle infestation on West Fraser's Canadian operations is uncertain. The potential effects include a reduction of future AAC levels to below current and pre-infestation AAC levels, a diminished grade and volume of lumber recoverable from beetle-killed logs, decreased quality of wood chips produced from such logs, and increased production costs. The timing and extent of the future effect on West Fraser's timber supply, lumber grade and recovery, wood chip quality and production costs will depend on a variety of factors and at this time cannot be reasonably determined.

First Nations Claims

The Company relies on provincial governments to adequately discharge obligations to First Nations groups in order to preserve the validity of actions dealing with public rights, including the granting of Crown timber harvesting rights. West Fraser cannot assure that First Nations claims will not in the future have a material adverse effect on its timber harvesting rights or its ability to exercise or renew them or secure other timber harvesting rights.

Regulatory

West Fraser's operations are subject to extensive general and industry-specific federal, provincial, state, municipal and other local laws and regulations, including those governing forestry, exports, taxes, employees, labour standards, occupational health and safety, waste disposal, environmental protection and remediation, protection of endangered and protected species and land use and expropriation. West Fraser is required to obtain approvals, permits and licences for its operations, which may impose conditions that must be complied with. If it is unable to extend or renew, or is delayed in extending or renewing, a material approval, permit or licence, West Fraser's operations or financial condition could be adversely affected. There is no assurance that these laws, regulations or government policy, or the administrative interpretation or enforcement of existing laws and regulations, will not change in the future in a manner that may require West Fraser to incur significant capital expenditures or could adversely affect its operations or financial condition. Failure to comply with applicable laws or regulations, including approvals, permits and licences, could result in fines, penalties or enforcement actions, including orders suspending or curtailing its operations or requiring corrective measures or remedial actions.

Competition

Markets for West Fraser's products are highly competitive. Its ability to maintain or improve the cost of producing and delivering products to those markets is crucial. Factors such as cost and availability of raw materials, energy and labour, the ability to maintain high operating rates and low per-unit manufacturing costs, and the quality of its final products and its customer service all affect West Fraser's earnings.

Trade Restrictions

A substantial portion of the Company's products that are manufactured in Canada are exported for sale. The company's financial results are dependent on continued access to the export markets and tariffs and other trade barriers that restrict or prevent access represent a continuing risk to the Company. West Fraser's Canadian softwood lumber exports to the United States are currently subject to export duties imposed under the Softwood Lumber Agreement of 2006. National economic protectionist measures more commonly arise during periods of broad economic downturn and so current global economic conditions could result in the adoption of additional trade barriers.

Financial

The Company relies on long-term borrowings and access to revolving credit in order to finance its ongoing operations. The recent credit crisis has disrupted the availability of new credit to a significant segment of corporate borrowers. Although the Company has no immediate needs for new credit, in the future the Company may need access to public or private debt markets to issue new debt to replace or partially replace current borrowings. The lack of stability of major financial institutions is an ongoing risk to the Company.

Disclosure Controls and Internal Controls Over Financial Reporting

Controls and Procedures

In accordance with the requirements of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Company's management, including the Chief Executive Officer and Chief Financial Officer, acknowledges responsibility for the design and operation of disclosure controls and procedures and internal controls over financial reporting, and the requirement to evaluate the effectiveness of these controls on an annual basis.

Management evaluated the effectiveness of these controls at the end of the reporting period and based on this evaluation concluded that the Company's internal controls over financial reporting and the disclosure controls and procedures were effective as at December 31, 2008.

Changes in Internal Control Over Financial Reporting

There has been no change in West Fraser's internal control over financial reporting during the year ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Glossary of Selected Industry Terms

AAC Annual Allowable Cut- The volume of timber that may be harvested annually from a specific timber tenure.

BCTMP - Bleached Chemithermomechanical Pulp

Green tons - A unit of measure for wood chips representing one undried ton. **M Green tons** means one thousand green tons.

LVL Laminated Veneer Lumber - Large sheets of veneer bonded together with resin, then cut to lumber equivalent sizes.

m^3 - A solid cubic metre, a unit of measure for timber, equal to approximately 35 cubic feet.

Mcf - One thousand cubic feet. A unit of measure for laminated veneer lumber.

MDF Medium Density Fibreboard - A composite product made from wood fibre.

Mfbm - One thousand board feet (equivalent to one thousand square feet of lumber, one inch thick). **MMfbm** means one million board feet.

Msf - A unit of measure for MDF and plywood equal to one thousand square feet on a 3/4 inch basis for MDF and on a 3/8 inch basis for plywood. **MMsf** means one million square feet.

NBSK - Northern Bleached Softwood Kraft pulp

ODT Oven Dried Tonne - A unit of measure for wood chips representing one oven dried metric tonne. **M ODT** means one thousand oven dried tonnes.

SPF - Lumber produced from spruce/pine/balsam fir species.

SYP - Lumber produced from southern yellow pine species.

Tonne - A unit of weight in the metric system equal to one thousand kilograms or approximately 2,204 Pounds. **Mtonne** means one thousand tonnes.

West Fraser Timber Co. Ltd.
CONSOLIDATED BALANCE SHEETS
(in millions of Canadian dollars - unaudited)

		As at December 31, 2008		As at December 31, 2007
ASSETS				
Current assets				
Cash and short-term investments	**$**	**20.2**	$	17.2
Accounts receivable		**253.0**		278.6
Income taxes receivable		**26.8**		50.6
Inventories		**511.6**		517.4
Prepaid expenses		**29.0**		13.0
		840.6		876.8
Property, plant, equipment and timber		**2,040.8**		2,211.0
Deferred pension costs		**78.1**		54.3
Goodwill		**263.7**		263.7
Other assets		**101.2**		115.7
Future income taxes		**87.2**		40.4
	$	**3,411.6**	$	3,561.9
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Cheques issued in excess of funds on deposit	**$**	**16.5**	$	20.9
Operating loans		**29.7**		145.3
Accounts payable and accrued liabilities		**241.4**		276.0
Current portion of reforestation obligations		**44.1**		50.7
Current portion of long-term debt		**150.3**		2.4
		482.0		495.3
Long-term debt		**465.3**		544.9
Other liabilities		**167.5**		142.9
Future income taxes		**266.8**		292.3
		1,381.6		1,475.4
Shareholders' equity				
Share capital		**599.4**		599.3
Accumulated other comprehensive earnings		**1.7**		(93.2)
Retained earnings		**1,428.9**		1,580.4
		2,030.0		2,086.5
	$	**3,411.6**	$	3,561.9

Number of Common shares and Class B Common shares outstanding at February 18, 2009 was 42,805,086.

West Fraser Timber Co. Ltd.
CONSOLIDATED STATEMENTS OF EARNINGS
(in millions of Canadian dollars - unaudited)

	October 1 to December 31		January 1 to December 31	
	2008	2007	**2008**	2007
Sales	**$ 745.6**	$ 782.2	**$ 3,188.5**	$ 3,315.7
Costs and expenses				
Cost of products sold	**573.8**	611.3	**2,363.3**	2,534.0
Freight and other distribution costs	**130.4**	119.2	**534.4**	495.6
Export taxes	**6.7**	15.8	**54.3**	83.8
Amortization	**73.6**	71.0	**281.2**	265.1
Selling, general and administration	**24.6**	28.8	**108.5**	102.5
	809.1	846.1	**3,341.7**	3,481.0
Operating earnings	**(63.5)**	(63.9)	**(153.2)**	(165.3)
Other				
Interest expense - net	**(8.6)**	(9.5)	**(36.1)**	(29.6)
Exchange gain (loss) on long-term debt	**(46.1)**	1.0	**(68.0)**	52.2
Other income (expense)	**15.8**	2.1	**36.9**	(4.6)
Earnings before income taxes	**(102.4)**	(70.3)	**(220.4)**	(147.3)
Recovery of income taxes	**32.9**	67.4	**83.3**	111.1
Earnings	**$ (69.5)**	$ (2.9)	**$ (137.1)**	$ (36.2)
Earnings per share *(dollars)*				
Basic and diluted	**$ (1.63)**	$ (0.07)	**$ (3.20)**	$ (0.85)

West Fraser Timber Co. Ltd.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS AND COMPREHENSIVE EARNINGS

(in millions of Canadian dollars - unaudited)

	October 1 to December 31		January 1 to December 31	
	2008	2007	**2008**	2007
RETAINED EARNINGS				
Balance - beginning of period	**$ 1,504.5**	$ 1,589.4	**$ 1,580.4**	$ 1,641.3
Changes in accounting	**-**	-	**9.6**	(0.7)
Earnings	**(69.5)**	(2.9)	**(137.1)**	(36.2)
	1,435.0	1,586.5	**1,452.9**	1,604.4
Dividends	**(6.1)**	(6.1)	**(24.0)**	(24.0)
Balance - end of period	**$ 1,428.9**	$ 1,580.4	**$ 1,428.9**	$ 1,580.4

COMPREHENSIVE EARNINGS				
Earnings	**$ (69.5)**	$ (2.9)	**$ (137.1)**	$ (36.2)
Other comprehensive earnings				
Unrealized foreign exchange translation gain (loss) on investment in self-sustaining foreign operations	**65.4**	(3.2)	**94.9**	(93.2)
Comprehensive earnings	**$ (4.1)**	$ (6.1)	**$ (42.2)**	$ (129.4)

West Fraser Timber Co. Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions of Canadian dollars - unaudited)

	October 1 to December 31		January 1 to December 31	
	2008	2007	**2008**	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Earnings	**$ (69.5)**	$ (2.9)	**$ (137.1)**	$ (36.2)
Items not affecting cash				
Amortization	**73.6**	71.0	**281.2**	265.1
Exchange loss (gain) on long-term debt	**46.1**	(1.0)	**68.0**	(52.2)
Gain on asset sales	**-**	(1.8)	**(7.6)**	(17.4)
Change in reforestation obligations	**5.3**	2.0	**1.9**	(8.2)
Change in other long-term liabilities	**1.4**	7.7	**15.6**	9.7
Change in deferred charges	**(12.5)**	(17.7)	**(23.7)**	(18.7)
Future income taxes	**(22.7)**	(48.1)	**(64.5)**	(62.0)
Other	**3.2**	(1.1)	**5.9**	0.7
	24.9	8.1	**139.7**	80.8
Net change in non-cash working capital items	**(27.7)**	(25.3)	**39.4**	(322.7)
	(2.8)	(17.2)	**179.1**	(241.9)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	**(1.2)**	(125.3)	**(2.4)**	(126.2)
Proceeds from long-term debt	**-**	-	**-**	102.9
(Repayment of) proceeds from operating loans	**12.7**	130.4	**(119.3)**	146.3
Dividends	**(6.1)**	(6.1)	**(24.0)**	(24.0)
Other	**-**	0.2	**0.1**	1.5
	5.4	(0.8)	**(145.6)**	100.5
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition	**-**	(0.9)	**-**	(380.1)
Additions to property, plant, equipment and timber	**(9.5)**	(15.2)	**(46.8)**	(104.3)
Proceeds from disposals of property, plant, equipment and timber	**0.2**	3.1	**13.1**	13.6
Decrease in other assets	**2.4**	3.8	**7.6**	2.9
	(6.9)	(9.2)	**(26.1)**	(467.9)
Increase (decrease) in cash *	**(4.3)**	(27.2)	**7.4**	(609.3)
Cash - beginning of period	**8.0**	23.5	**(3.7)**	605.6
Cash - end of period	**$ 3.7**	$ (3.7)	**$ 3.7**	$ (3.7)

*Cash consists of cash and short-term investments less cheques issued in excess of funds on deposit.

Supplemental information:				
Interest paid	**$ 13.1**	$ 18.5	**$ 33.4**	$ 39.5
Income taxes received (paid) - net	**$ 0.4**	$ 8.8	**$ 53.0**	$ (175.3)
Non - cash investing activity:				
Contracts terminated on acquisition	**$ -**	$ -	**$ -**	$ 10.4

West Fraser Timber Co. Ltd.
Supplemental information to interim Consolidated Financial Statements
(figures are in millions of dollars except where indicated - unaudited)

1. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and do not contain all of the information that is required for annual financial statements. Accordingly, they should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2008 which can be obtained on the Company's website: www.westfraser.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under the Company's profile.

2. INCOME TAXES

The effective tax rate is different from the statutory tax rates as follows:

	October 1 to December 31			
	2008		2007	
	Amount	**%**	Amount	%
Income tax recovery at statutory rates	**$ 31.7**	**31.0**	$ 24.0	34.1
Non-taxable amounts	**(6.1)**	**(6.0)**	1.7	2.4
Rate differentials between jurisdictions and on specified activities	**4.0**	**3.9**	4.8	6.8
Rate differential on loss carry-backs	**1.8**	**1.7**	1.4	2.0
Reduction in statutory income tax rates	**-**	**-**	30.3	43.1
Other	**1.5**	**1.5**	5.2	7.4
Income tax recovery	**$ 32.9**	**32.1**	$ 67.4	95.8

	January 1 to December 31			
	2008		2007	
	Amount	**%**	Amount	%
Income tax recovery at statutory rates	**$ 68.3**	**31.0**	$ 50.2	34.1
Non-taxable amounts	**(8.7)**	**(3.9)**	11.2	7.6
Rate differentials between jurisdictions and on specified activities	**12.9**	**5.9**	9.5	6.5
Rate differential on loss carry-backs	**3.7**	**1.7**	3.5	2.3
Reduction in statutory income tax rates	**6.4**	**2.9**	33.0	22.4
Other	**0.7**	**0.2**	3.7	2.5
Income tax recovery	**$ 83.3**	**37.8**	$ 111.1	75.4

3. EARNINGS PER SHARE

Basic earnings per share is calculated based on earnings available to Common shareholders, as set out below, using the weighted average number of Common shares and Class B Common shares outstanding. Diluted earnings per share assume the exercise of share options, if dilutive, using the treasury stock method.

	October 1 to December 31	
	2008	2007
Earnings available to shareholders	**$ (69.5)**	$ (2.9)
Weighted average number of shares		
Weighted average shares – basic	**42,805**	42,798
Share options – treasury stock method	**101**	341
Weighted average shares - diluted	**42,906**	43,139
Earnings per share (dollars)		
Basic and diluted	**$ (1.63)**	$ (0.07)

	January 1 to December 31	
	2008	2007
Earnings available to shareholders	**$ (137.1)**	$ (36.2)
Weighted average number of shares		
Weighted average shares – basic	**42,805**	42,788
Share options – treasury stock method	**142**	294
Weighted average shares - diluted	**42,947**	43,082
Earnings per share (dollars)		
Basic and diluted	**$ (3.20)**	$ (0.85)

4. SEGMENTED INFORMATION

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
October 1, 2008 to December 31, 2008					
Sales at market prices					
To external customers	**$ 385.0**	**$ 104.2**	**$ 256.4**	**$ -**	**$ 745.6**
To other segments	**30.2**	**2.2**	**-**	**-**	
	$ 415.2	**$ 106.4**	**$ 256.4**	**$ -**	
EBITDA [1]	**$ (48.0)**	**$ 10.9**	**$ 42.0**	**$ 5.2**	**$ 10.1**
Amortization	**37.9**	**9.9**	**25.0**	**0.8**	**73.6**
Operating earnings	**(85.9)**	**1.0**	**17.0**	**4.4**	**(63.5)**
Interest income (expense) - net	**(5.4)**	**(1.0)**	**(2.3)**	**0.1**	**(8.6)**
Exchange loss on long-term debt	**-**	**-**	**-**	**(46.1)**	**(46.1)**
Other income	**8.8**	**1.7**	**13.2**	**(7.9)**	**15.8**
Earnings before income taxes	**$ (82.5)**	**$ 1.7**	**$ 27.9**	**$ (49.5)**	**$ (102.4)**
October 1, 2007 to December 31, 2007					
Sales at market prices					
To external customers	$ 401.8	$ 110.6	$ 269.8	$ -	$ 782.2
To other segments	29.0	2.4	-	-	
	$ 430.8	$ 113.0	$ 269.8	$ -	
EBITDA [1]	$ (45.4)	$ 12.9	$ 36.7	$ 2.9	$ 7.1
Amortization	33.3	11.4	25.5	0.8	71.0
Operating earnings	(78.7)	1.5	11.2	2.1	(63.9)
Interest expense - net	(4.9)	(1.0)	(2.2)	(1.4)	(9.5)
Exchange gain on long-term debt	-	-	-	1.0	1.0
Other income (expense)	0.7	-	2.5	(1.1)	2.1
Earnings before income taxes	$ (82.9)	$ 0.5	$ 11.5	$ 0.6	$ (70.3)

1 **Non GAAP measure:**
EBITDA is defined as operating earnings plus amortization.

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
January 1, 2008 to December 31, 2008					
Sales at market prices					
To external customers	**$ 1,644.9**	**$ 428.1**	**$ 1,115.5**	**$ -**	**$ 3,188.5**
To other segments	**134.1**	**9.5**	**-**	**-**	
	$ 1,779.0	**$ 437.6**	**$ 1,115.5**	**$ -**	
EBITDA [1]	**$ (51.4)**	**$ 29.0**	**$ 142.6**	**$ 7.8**	**$ 128.0**
Amortization	**139.8**	**38.0**	**99.9**	**3.5**	**281.2**
Operating earnings	**(191.2)**	**(9.0)**	**42.7**	**4.3**	**(153.2)**
Interest expense - net	**(22.0)**	**(4.5)**	**(9.6)**	**-**	**(36.1)**
Exchange loss on long-term debt	**-**	**-**	**-**	**(68.0)**	**(68.0)**
Other income	**12.8**	**2.8**	**19.6**	**1.7**	**36.9**
Earnings before income taxes	**$ (200.4)**	**$ (10.7)**	**$ 52.7**	**$ (62.0)**	**$ (220.4)**
January 1, 2007 to December 31, 2007					
Sales at market prices					
To external customers	$ 1,802.1	$ 475.3	$ 1,038.3	$ -	$ 3,315.7
To other segments	111.4	11.7	-	-	
	$ 1,913.5	$ 487.0	$ 1,038.3	$ -	
EBITDA [1]	$ (85.1)	$ 59.0	$ 105.7	$ 20.2	$ 99.8
Amortization	121.9	41.3	98.7	3.2	265.1
Operating earnings	(207.0)	17.7	7.0	17.0	(165.3)
Interest income (expense) - net	(19.1)	(4.0)	(6.6)	0.1	(29.6)
Exchange gain on long-term debt	-	-	-	52.2	52.2
Other income (expense)	(8.0)	(2.7)	(5.6)	11.7	(4.6)
Earnings before income taxes	$ (234.1)	$ 11.0	$ (5.2)	$ 81.0	$ (147.3)

1 **Non GAAP measure:**
EBITDA is defined as operating earnings plus amortization.

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

For more information:

Gerry Miller, Executive Vice-President, Finance and Chief Financial Officer
Rodger Hutchinson, Vice-President, Corporate Controller
(604) 895-2700
www.westfraser.com