



**West Fraser**

# **Investor Presentation**

**October, 2011**

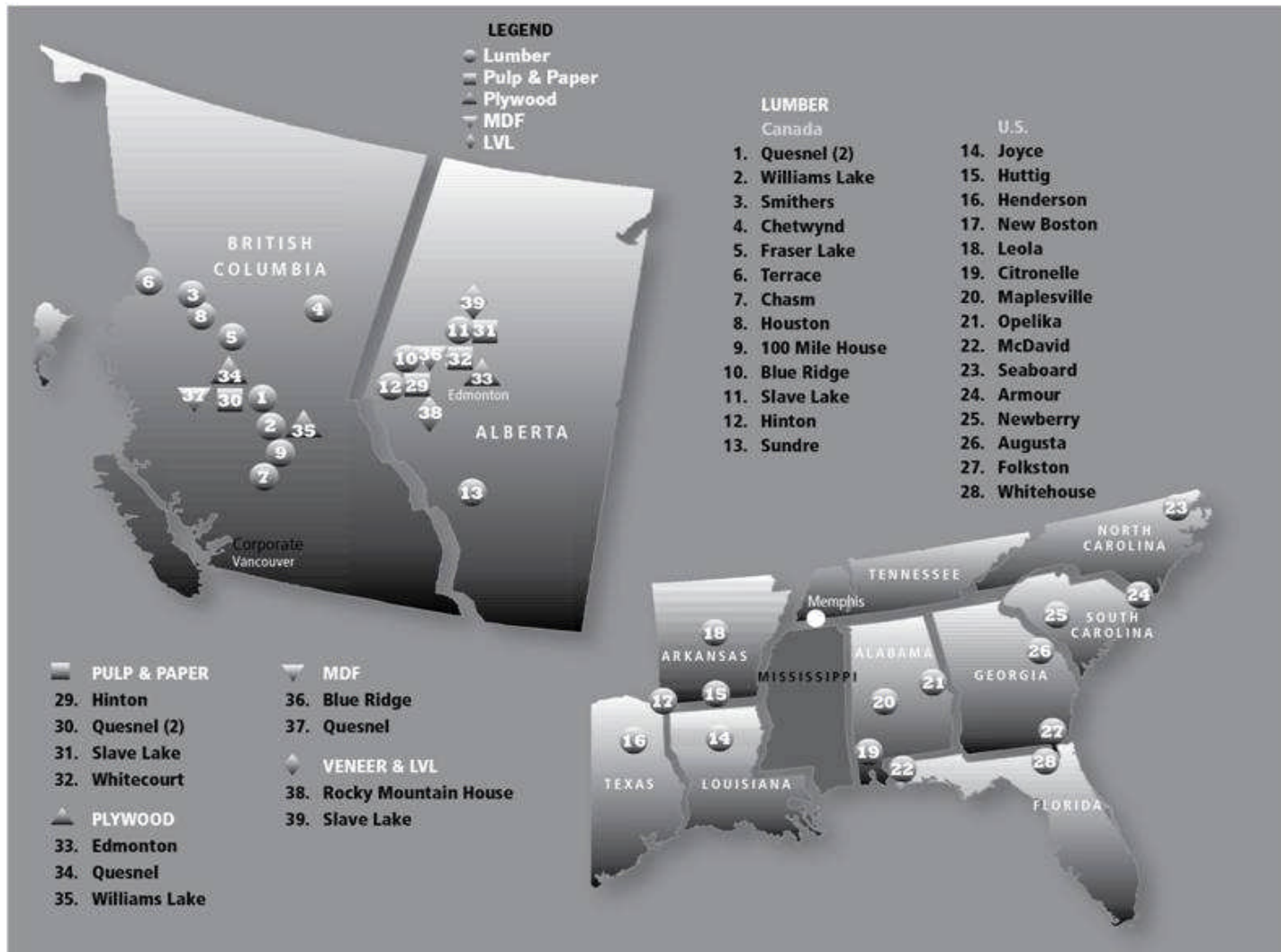
# Forward-Looking Statements and EBITDA

This presentation and comments associated with it contain forward-looking statements including statements relating to U.S. housing recovery, the potential for constrained lumber supply, pent up U.S. housing demand, projected SPF shipments to China, projected B.C. Interior lumber production, Alberta and U.S. South log supply, U.S. South demographics, pulp & paper outlook and significant potential strength of lumber markets. These statements are subject to the cautionary statement which introduces the Company's 2010 Management's Discussion & Analysis which can be accessed on the Company website [www.westfraser.com](http://www.westfraser.com).

In this presentation reference is made to EBITDA (operating earnings plus amortization and asset impairments). We believe that EBITDA is a useful performance indicator and measure of cash available prior to debt service, capital expenditures and income taxes. EBITDA is not a generally accepted earnings measure under International Financial Reporting Standards ("IFRS") and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that EBITDA should not be considered as an alternative to earnings or cash flow, as determined in accordance with IFRS. 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.

# West Fraser

## Geographic Diversification



# West Fraser

## Canadian Integration – Product Diversification



### Lumber

- 28 Mills

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

**Largest lumber producer in  
the World**

### Panels

- 6 Mills

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

**Largest plywood  
producer in Canada**

### Pulp & Paper

- 5 Mills

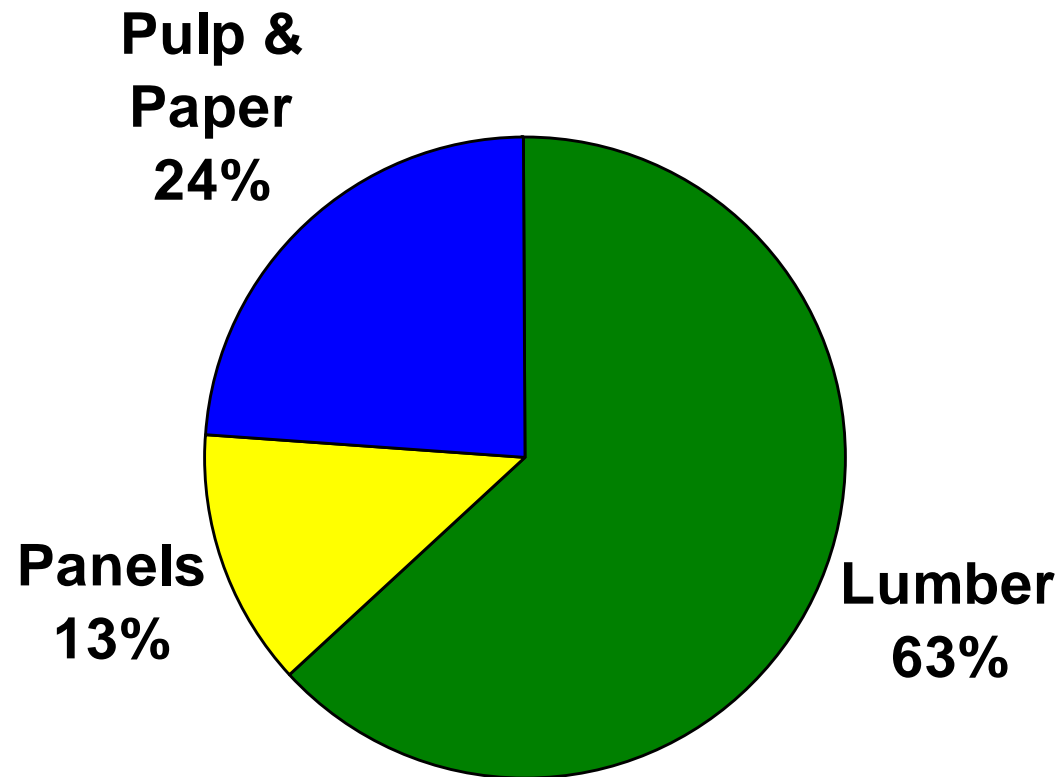
**NBSK: 530 thousand tonnes**  
**BCTMP: 620 thousand tonnes**  
**Newsprint: 130 thousand tonnes**

**Third largest pulp  
producer in Canada**



# West Fraser

## Trend Sales Mix

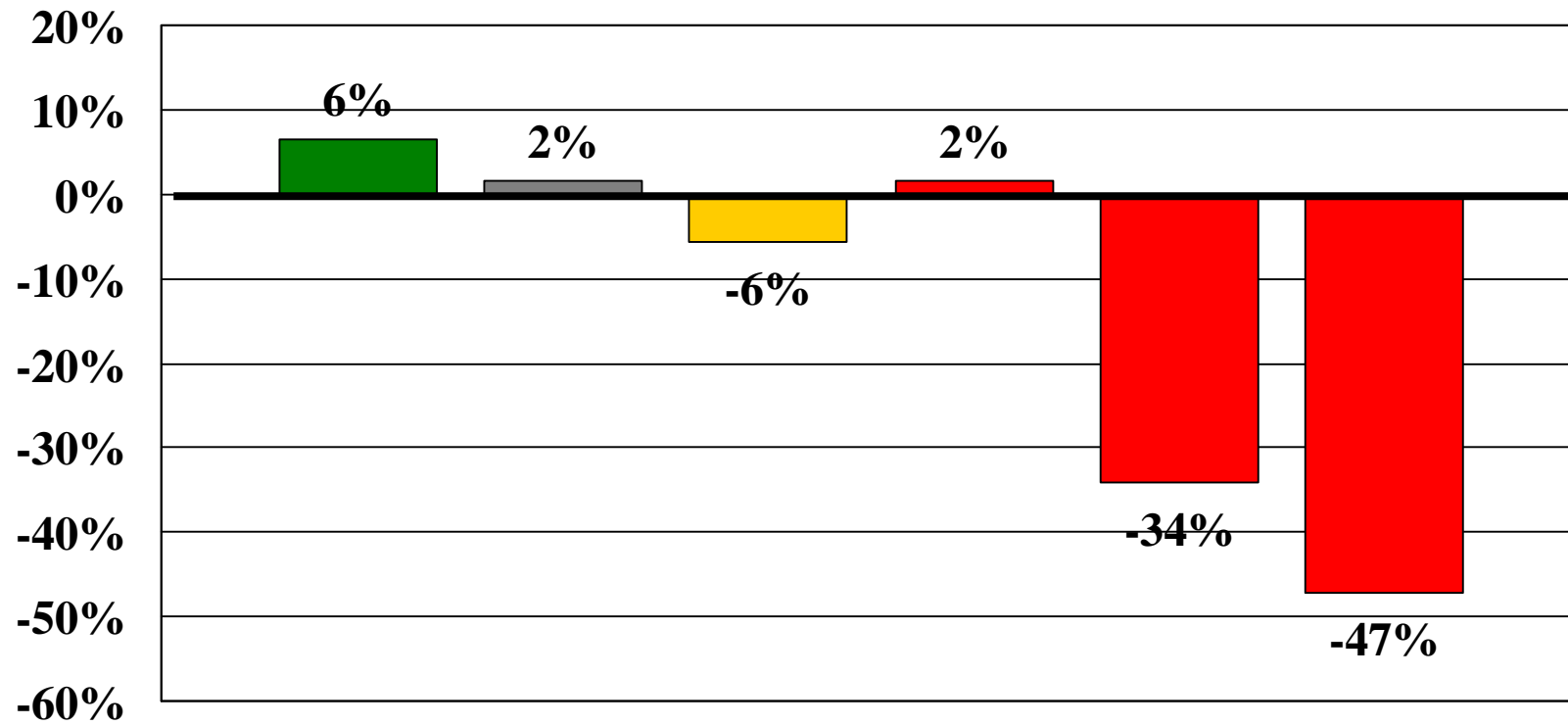


**West Fraser is an integrated forest products company primarily focused on solid wood products**

# West Fraser

## Total Shareholder Return (US\$)

(June 2006 – October 12, 2011)



■ West Fraser ■ S&P/TSX ■ Dow ■ Competitor A ■ Competitor B ■ Competitor C

# West Fraser

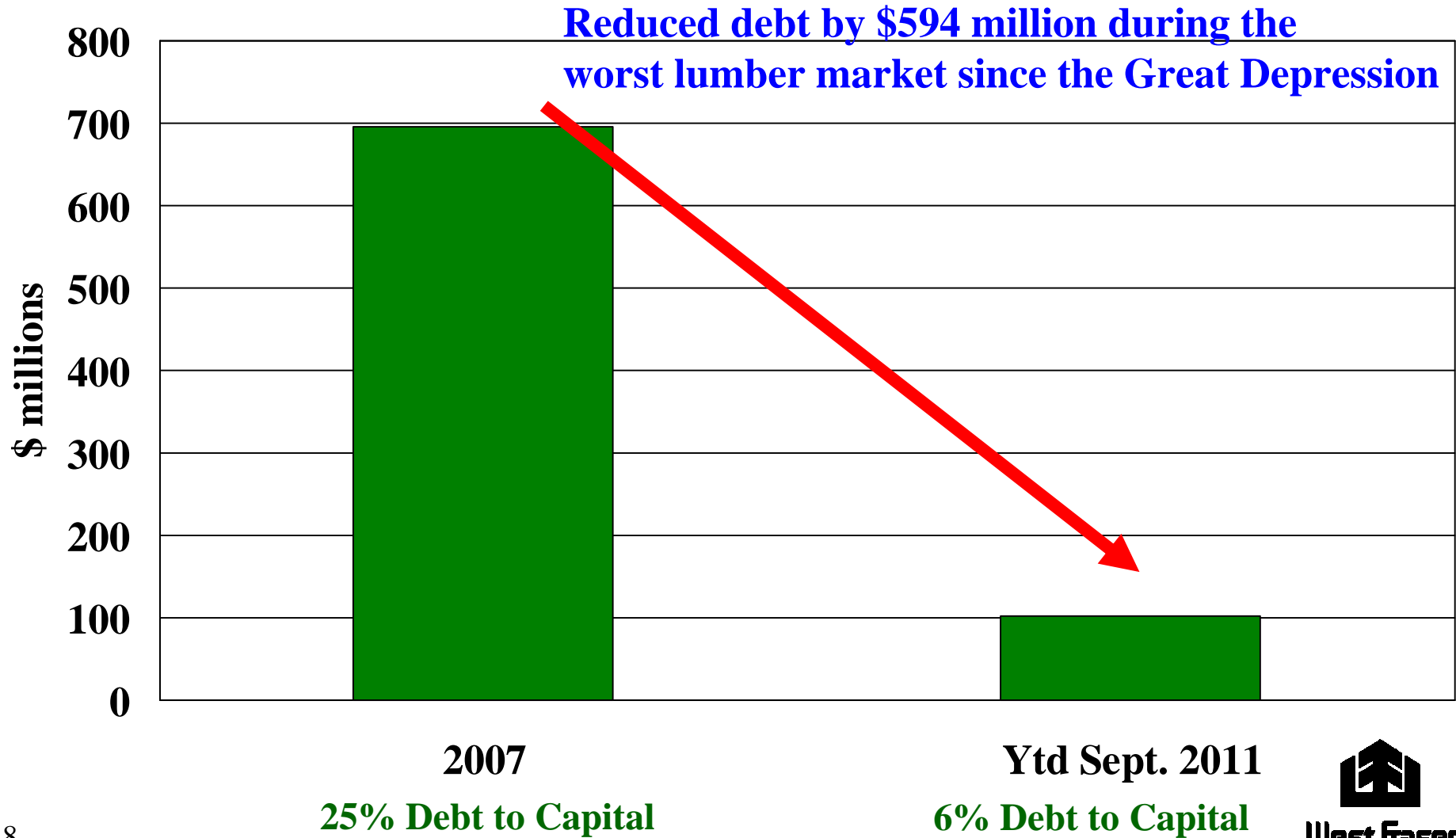
## Financial Performance - \$ million

	Ytd Sept. 2011	2010	2009	2008	Total
<b>EBITDA</b>	<b>208</b>	<b>438</b>	<b>80</b>	<b>128</b>	<b>854</b>
<b>Net Earnings</b>	<b>67</b>	<b>166</b>	<b>(341) *</b>	<b>(137)</b>	<b>(245)</b>
<b>Cash from Operations</b>	<b>136</b>	<b>370</b>	<b>96</b>	<b>179</b>	<b>781</b>
<b>Capital Expenditures</b>	<b>92</b>	<b>56</b>	<b>18</b>	<b>47</b>	<b>213</b>
<b>Dividends</b>	<b>18</b>	<b>8</b>	<b>10</b>	<b>24</b>	<b>60</b>
<b>Debt reduction</b>					<b>594</b>

\* Includes \$260 million of asset impairment, restructuring, and a tax valuation allowance

# West Fraser

## Strong Balance Sheet



# West Fraser

Since the downturn in North American lumber markets began in 2006, in addition to paying down nearly \$600 million of debt, West Fraser has significantly improved its asset profile by:

- investing over \$300 million of Softwood Lumber duty refunds and expanding its U.S. South lumber business by acquiring 13 sawmills from International Paper;
- rebuilt its flagship Quesnel sawmill which adopted state-of-the-art technology, much of which has now been implemented at its other facilities;
- sold or closed several higher-cost operations including, in 2010, its Eurocan linerboard and kraft paper mill;

## **West Fraser – Since the Downturn (cont.)**

- upgraded its NBSK operations by reducing costs and improving reliability so that they are now highly competitive;
- received \$88 million of Green Transformation Credits which is currently being invested in high payback energy-related projects;
- initiated, in 2011, a \$230 million capital improvement program focused primarily on its lumber business;
- expanded its participation in bioenergy projects and committed substantial resources to ensuring that bioenergy is a key part of West Fraser's future operations

# West Fraser

## Canadian Integration – Product Diversification



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**Largest lumber producer in the World**

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**Third largest pulp producer in Canada**



# West Fraser – Lumber Opportunity

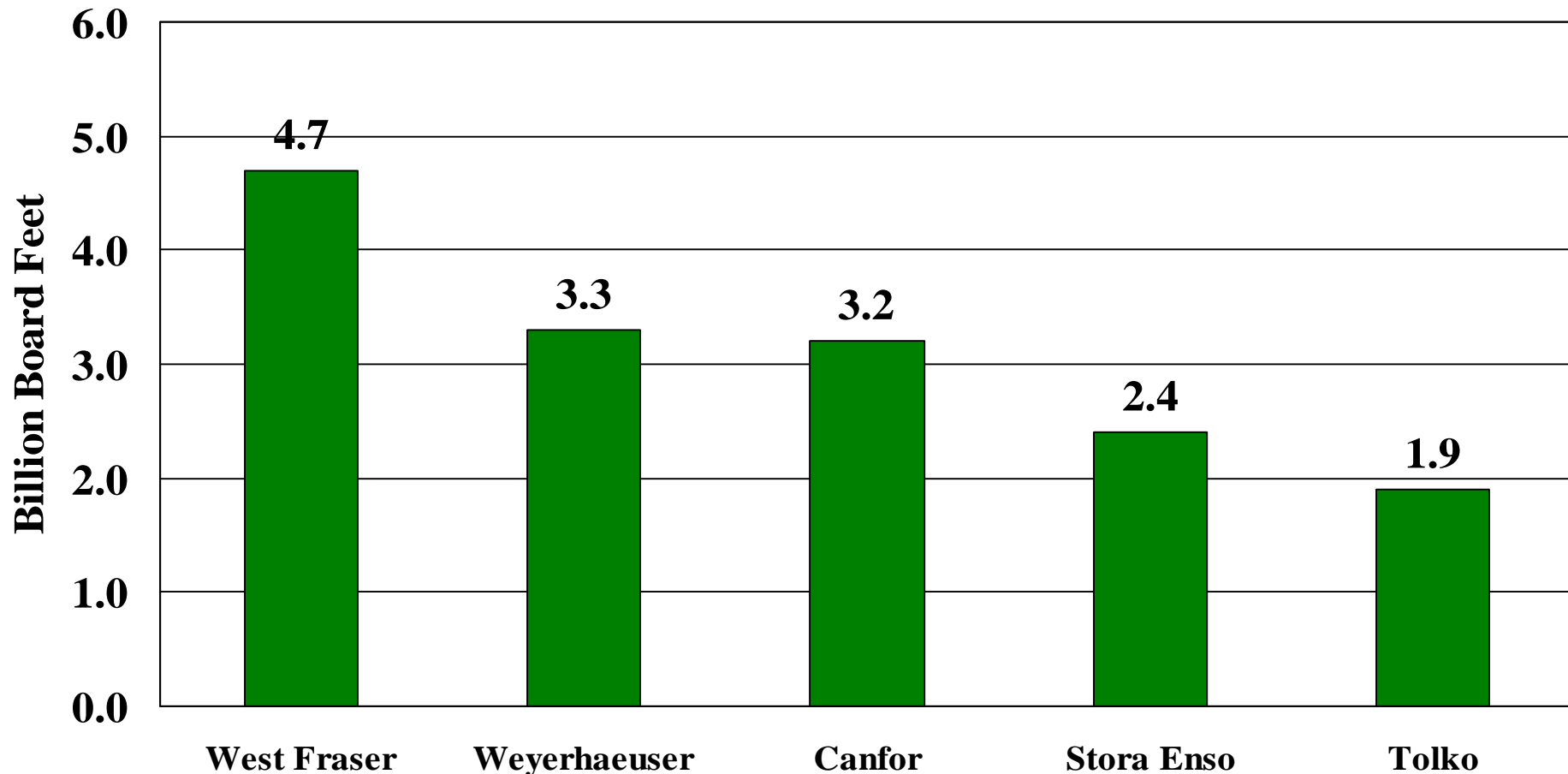
Inevitable U.S. housing recovery

Potential for longer-term constrained supply

West Fraser geographic diversification and low-cost, highly-efficient operations

# West Fraser – Lumber Overview

## 2010 Production



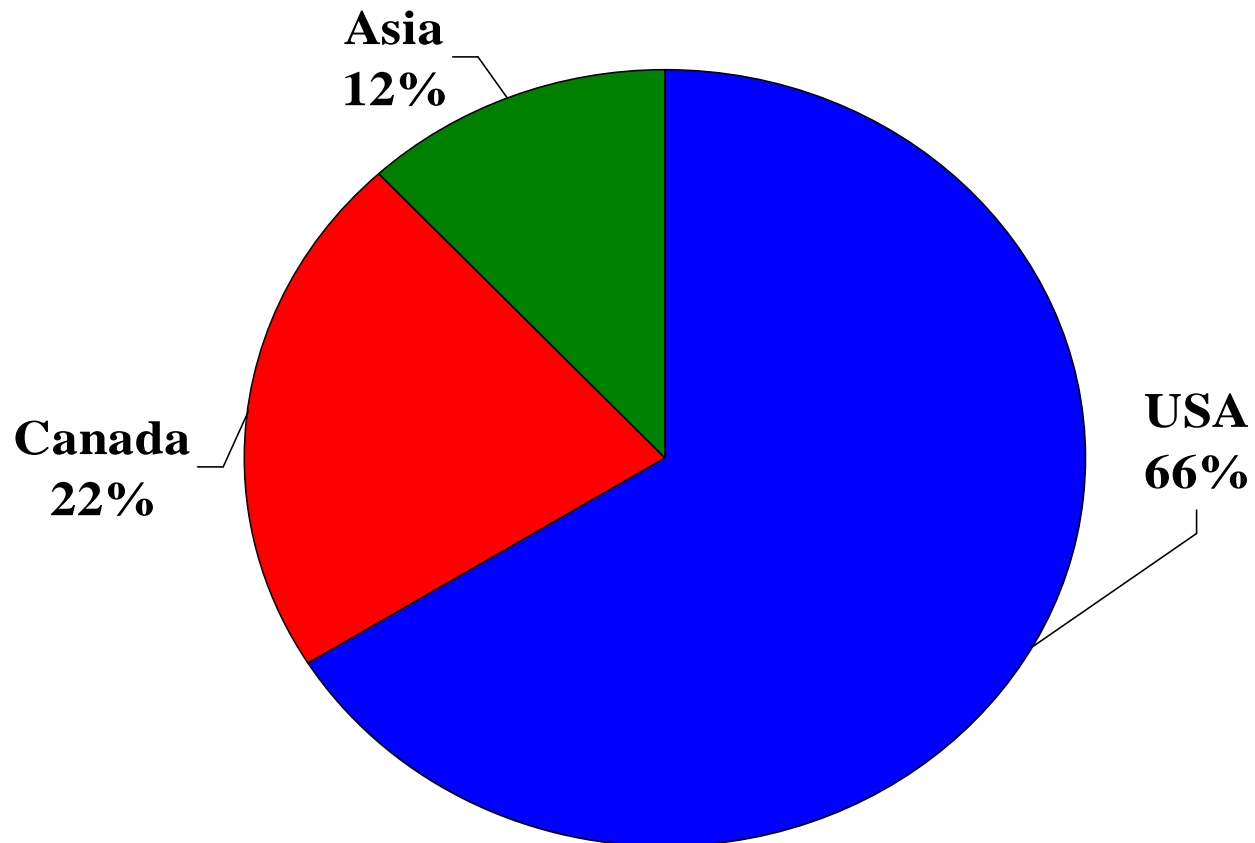
**World's Largest Lumber Producer**

Source: Wood Markets



# West Fraser – Lumber Overview

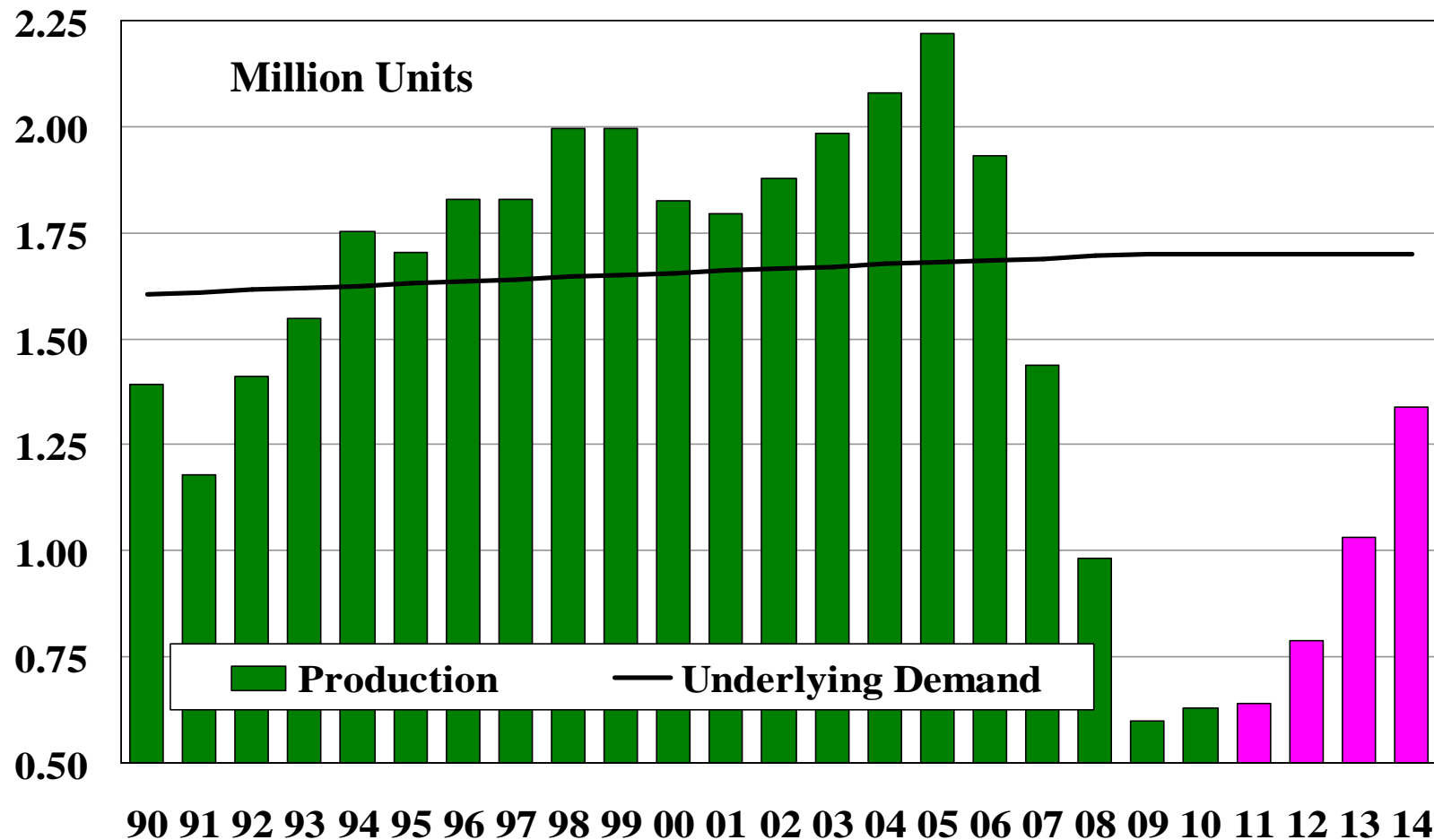
## Lumber Sales Mix - 2010



**Significant Exposure to U.S. Housing**

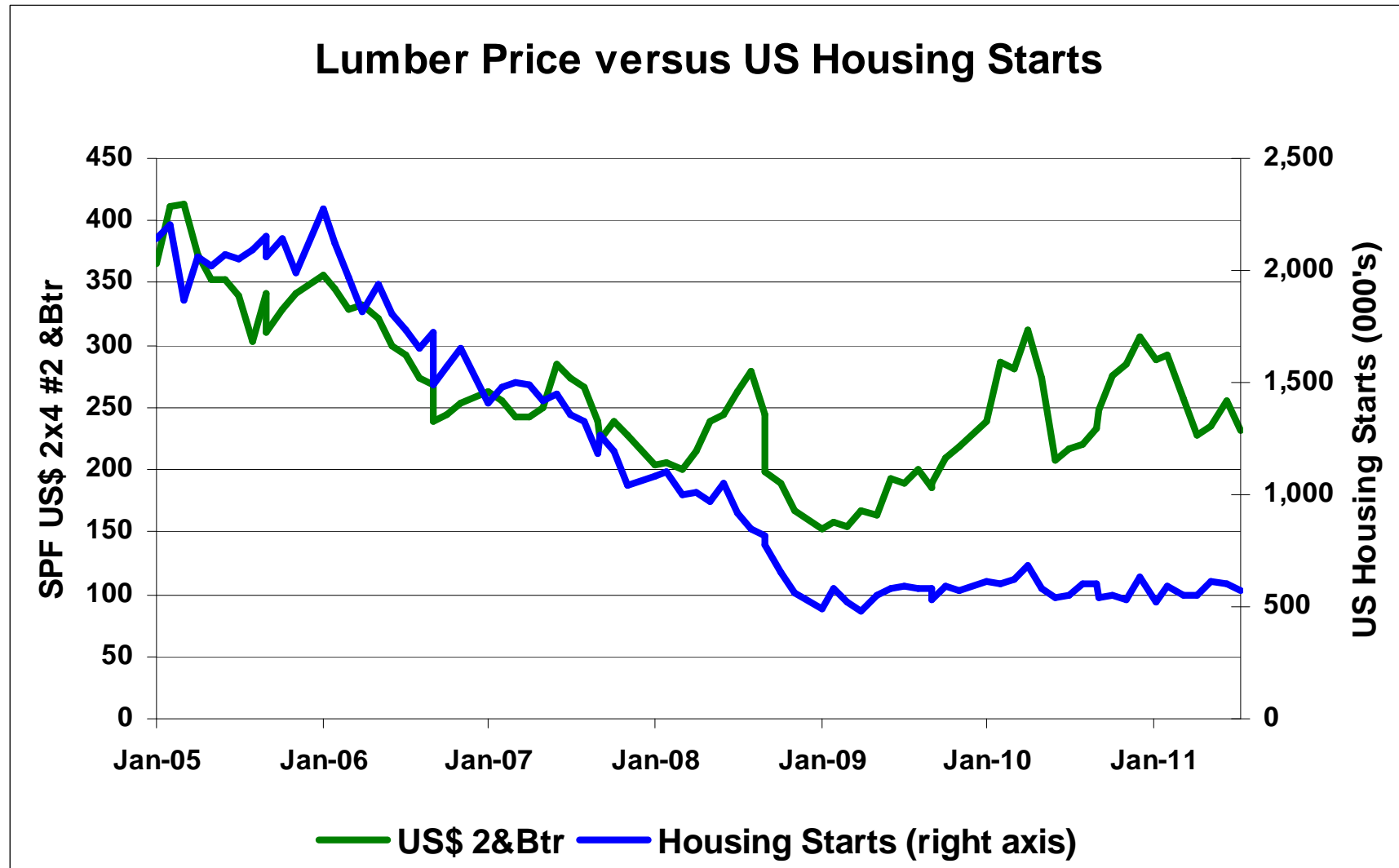
# West Fraser - Lumber Opportunity

## Pent Up Housing Demand (conventional + mobile)



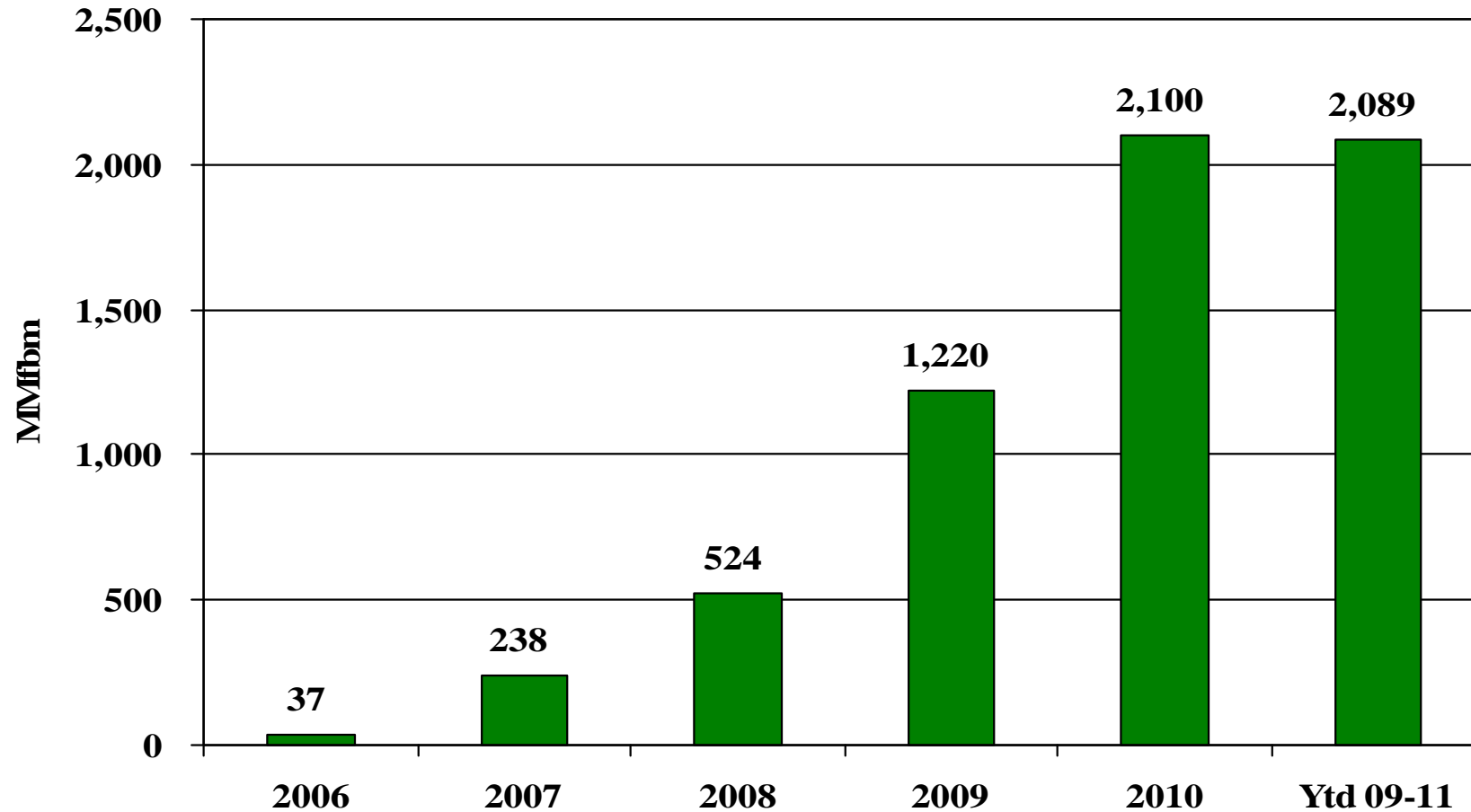
Significant pent up demand bodes well for long-term recovery.

# West Fraser - Lumber Opportunity



# West Fraser - Lumber Opportunity

## SPF Shipments from Canada to China



Source: China Wood Imports & Exports Data

**China has become a major consumer of Canadian softwood lumber**



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# **West Fraser – Lumber Opportunity**

## **Potential For Constrained Supply**

- Russian log export tariffs
- Eastern Canadian harvest reductions
- Boreal Accord
- Mountain Pine Beetle

# West Fraser – Lumber Opportunity

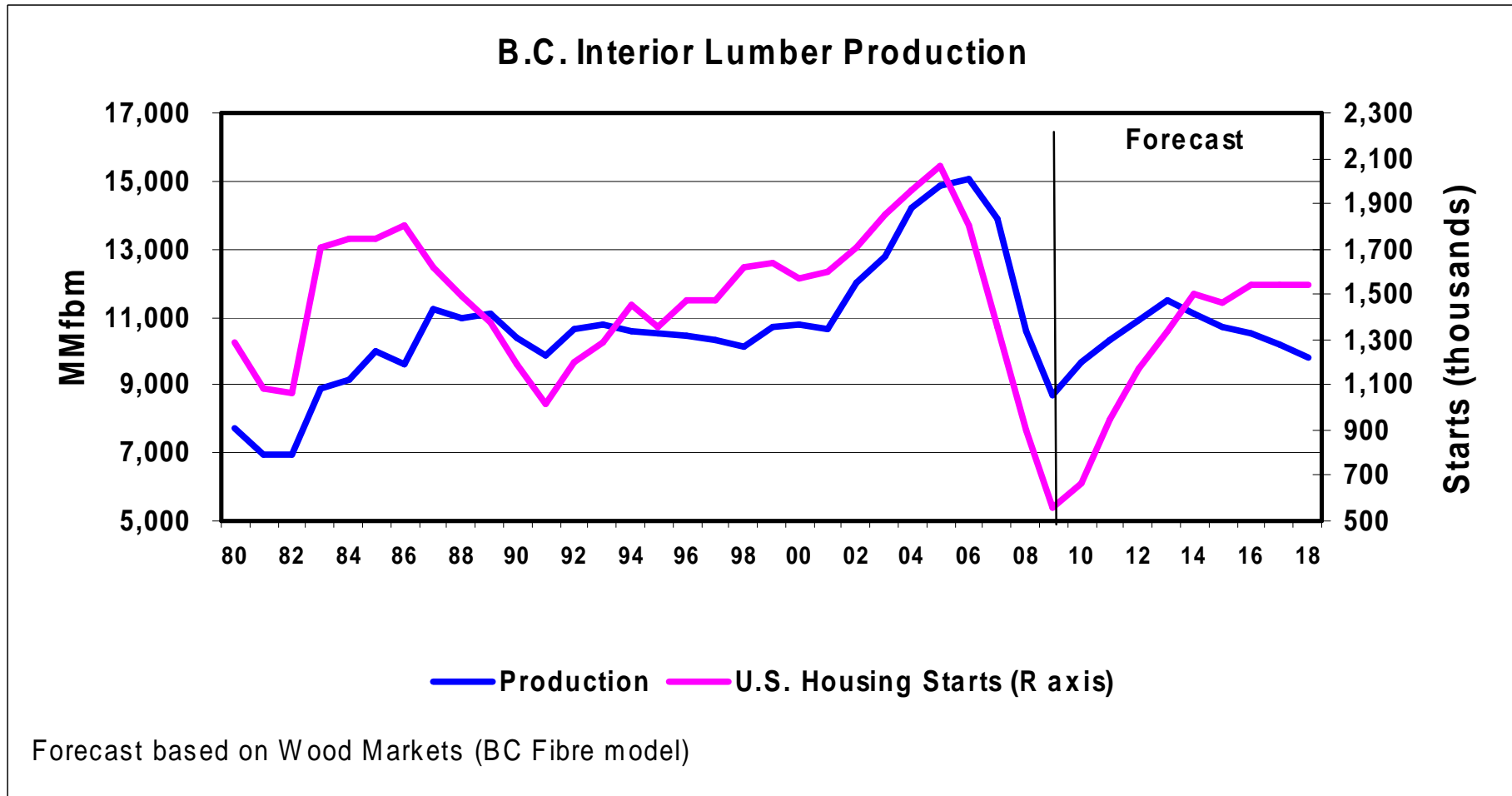
## Mountain Pine Beetle



**Approximately 1 Billion m<sup>3</sup> Dead or Dying**

# West Fraser – Lumber Opportunity

## B.C. Interior Lumber Production



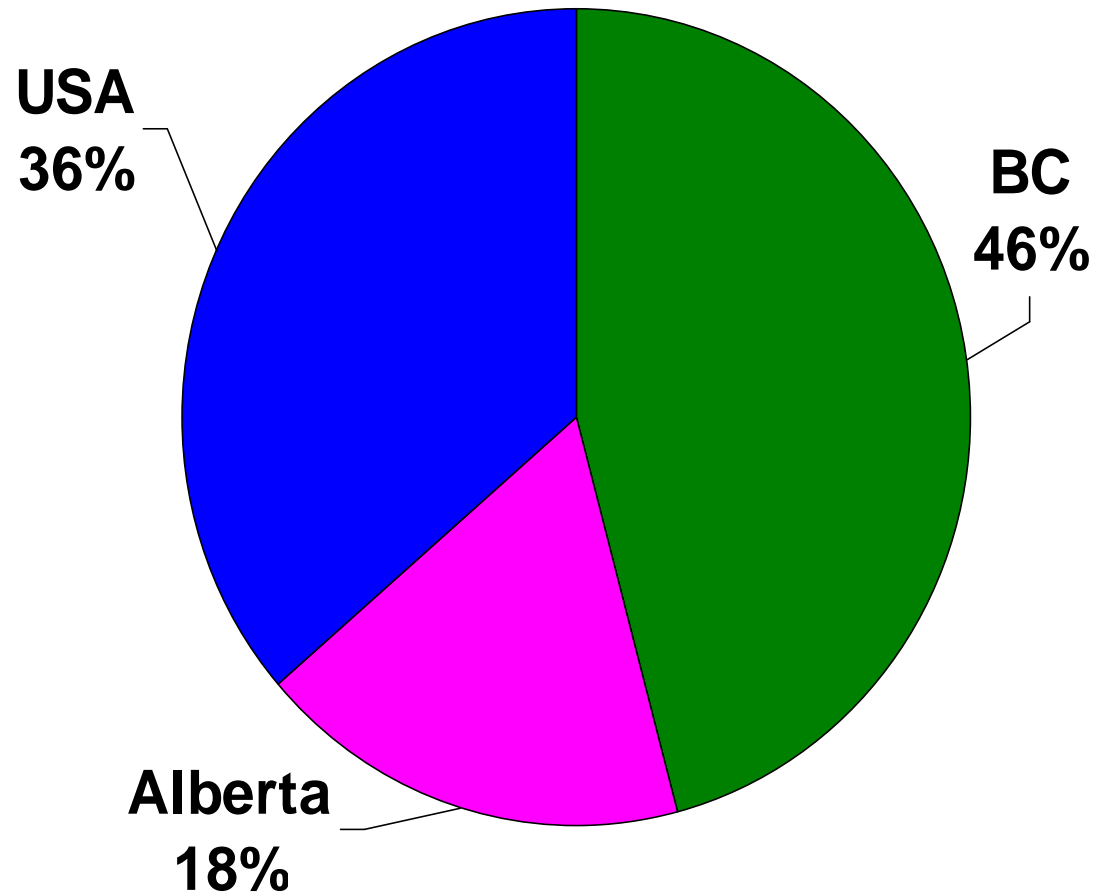
**Post Beetle production back to 1980's and 90's levels.**



West Fraser

# West Fraser – Lumber Opportunity

## Lumber Capacity Location



**Geographic diversification in lumber**

# West Fraser – Lumber Opportunity

## Alberta – Key Advantages

- Competitive cost structure
- Expanding log supply
- Less impact from mountain pine beetle than B.C.
- West Fraser currently operates 30% of Alberta's lumber capacity

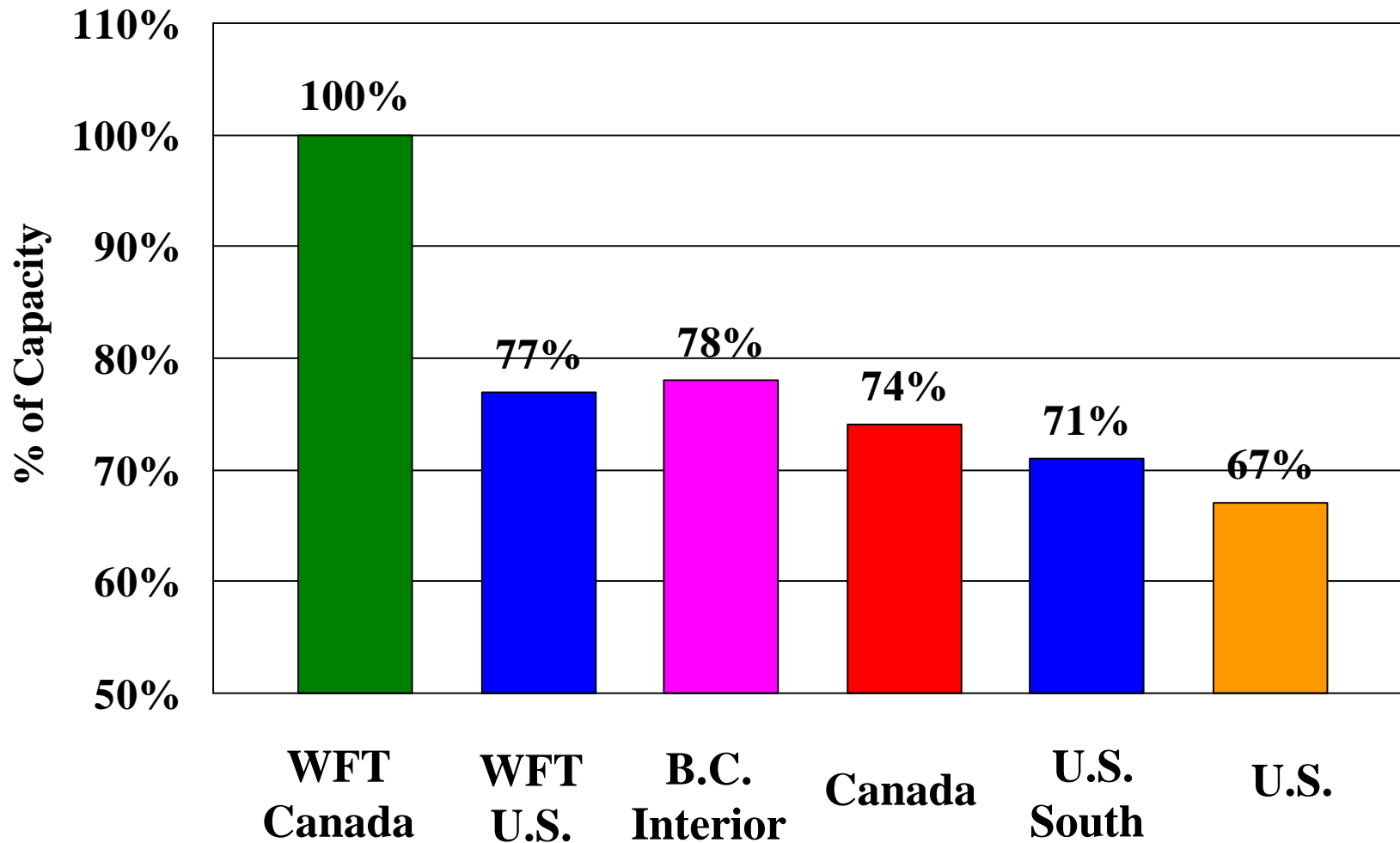
# West Fraser – Lumber Opportunity

## U.S. South – Key Advantages

- Proximity to market
- Demographics support long-term housing growth
- Expanding log supply
- Currency and trade (softwood lumber duties) hedge

# West Fraser – Lumber Opportunity

## Lumber Operating Rate - YTD June 2011



Low-cost structure allows for higher operating rates in down market

# West Fraser

## Canadian Integration – Product Diversification



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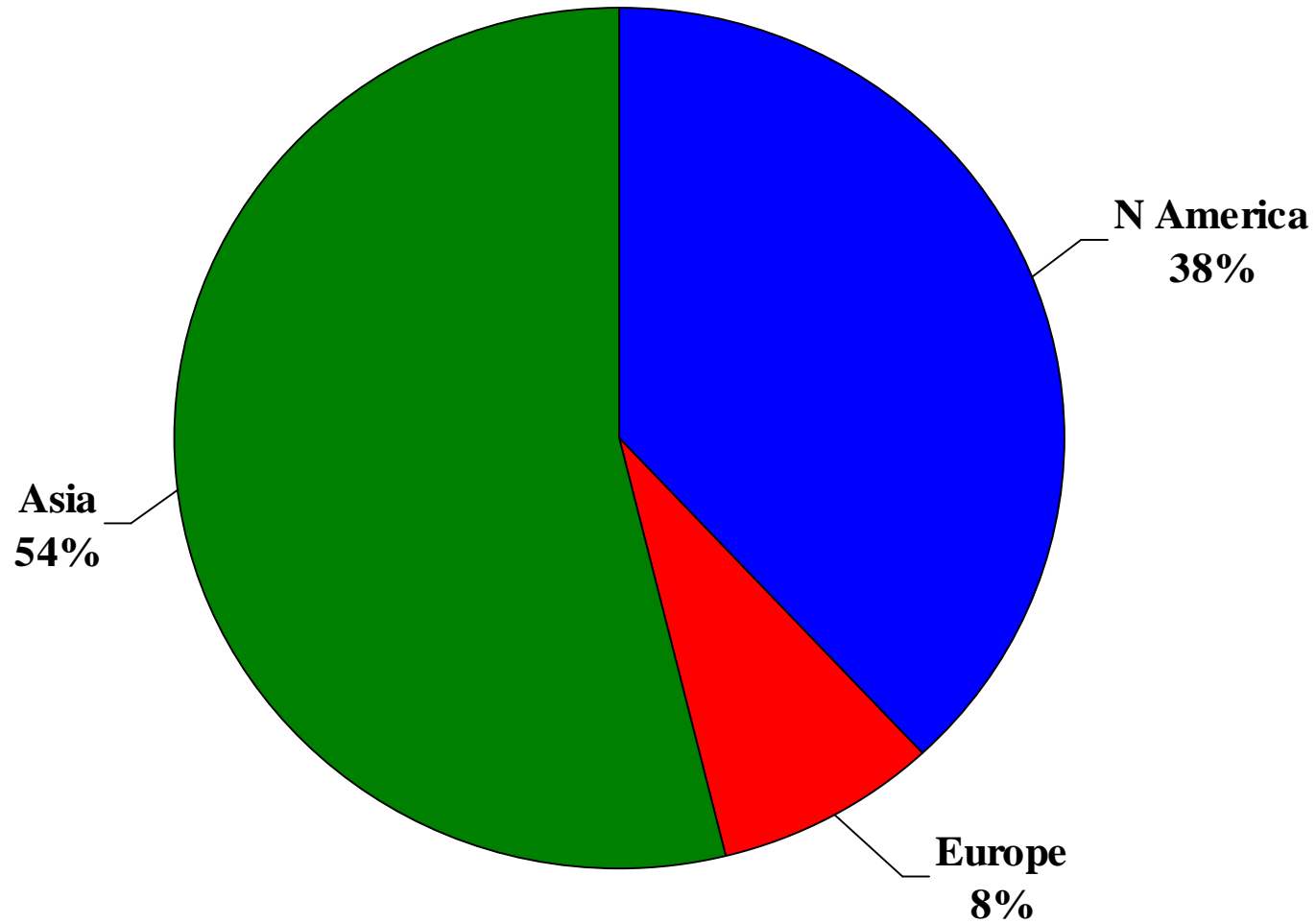
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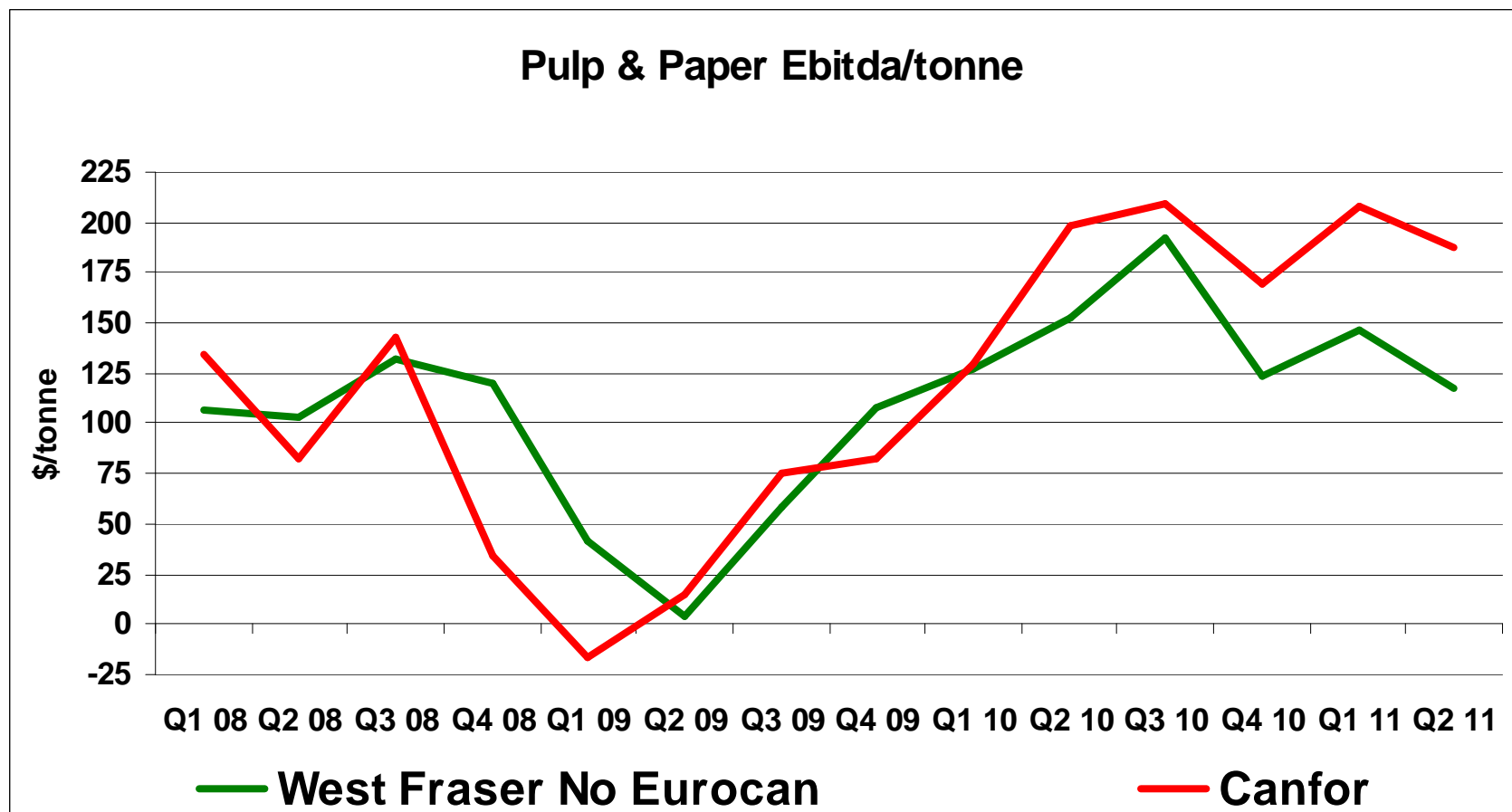
# Pulp & Paper

## Pulp & Paper Sales Mix - 2010



# Pulp & Paper

## Competitive Business



West Fraser's diversified pulp business is competitive with Canfor's primarily NBSK business.



West Fraser

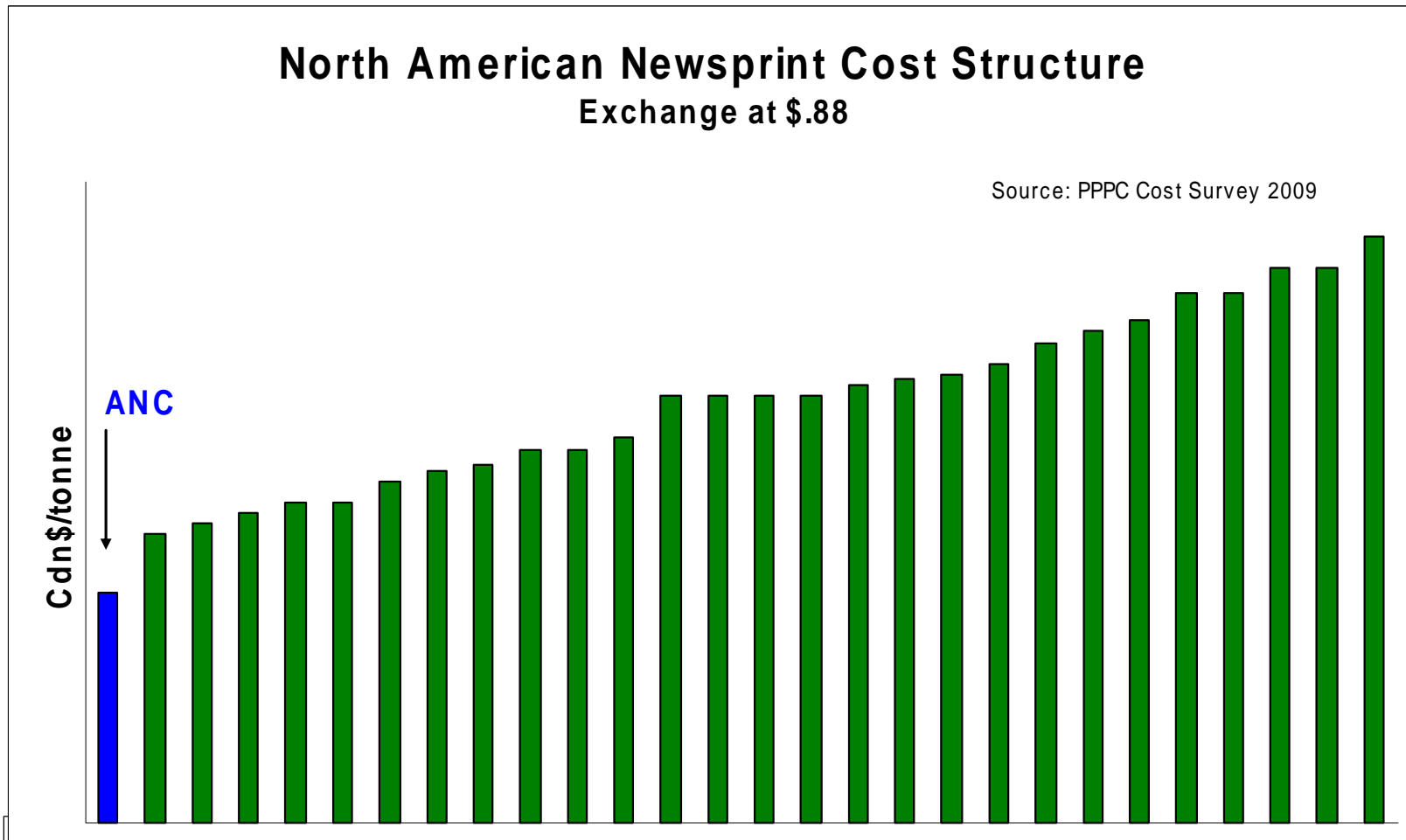
# West Fraser – Pulp & Paper

## Favourable Outlook

- China demand to support pricing
- West Fraser operations have shown marked improvement
- \$88 million reimbursement for capital improvements
- Bioenergy integration
- BCTMP niche business

# West Fraser – Pulp & Paper

## Newsprint



Alberta Newsprint is the lowest cost newsprint producer in North America and a positive contributor to the profitability of our pulp and paper business



# West Fraser

## Canadian Integration – Product Diversification



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### Panels

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### Pulp & Paper

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1.2 million tonnes

Largest lumber producer in  
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30

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# **West Fraser – Environmental**

## **Wood Products – The Environmental Choice**

- Sustainable
- Renewable
- Recyclable
- Energy Efficient
- Carbon Storage

**Greater public acceptance of products and industry**



**West Fraser**

# Why Invest in West Fraser?

- Significant potential upside for lumber and other wood building products
- Sector continues to be plagued by bad news which depresses share values, creating buying opportunities
- Solid pulp & paper business
- Low-cost, highly efficient Canadian operations and currently improving U.S. operations

## Why Invest in West Fraser?

- Proven ability to generate strong cash flow even in worst markets
- Consistent, straightforward business plan
- Loyal, long-term employee and management base
- Conservative financial management coupled with proven ability to grow strategically

# “WFT” – Toronto Stock Exchange [www.westfraser.com](http://www.westfraser.com)

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