



West Fraser Timber Co. Ltd

1000-1100 Melville Street
Vancouver, B.C.
Canada V6E 4A6
Telephone: (604) 895-2700
Fax: (604) 681-6061

NEWS RELEASE

WEST FRASER TIMBER CO. LTD. ("WFT") Monday, July 19, 2004

West Fraser Announces 2nd Quarter Results

Attention: Business & Financial Editors
Financial Analysts

Vancouver, B.C. **West Fraser Timber Co. Ltd.** today announced earnings of \$67 million or \$1.79 per share on sales of \$607 million in the second quarter of 2004 compared to a loss of \$5 million or \$0.14 per share on sales of \$484 million in the second quarter of 2003. For the first half of 2004, earnings were \$93 million or \$2.50 per share, on sales of \$1,148 million. This compares to earnings of \$6 million or \$0.15 per share, on sales of \$970 million for the first half of 2003.

EBITDA¹ was \$146 million or 24% of sales for the quarter compared to breakeven EBITDA in the second quarter of 2003. For the first half of 2004, EBITDA was \$224 million or 20% of sales compared to \$41 million or 4% of sales for the first half of 2003.

Hank Ketcham, Chairman, President and Chief Executive Officer, stated, "Most of our product prices were up this quarter and production volumes at all our facilities were at or near record levels. Record lumber production was not fully reflected in earnings as not all production could be shipped in the quarter due to continuing rail car and truck shortages."

OPERATIONAL RESULTS

EBITDA in the lumber division for the quarter, after accounting for duties, was \$107 million or 28% of sales compared to negative \$4 million in the second quarter of 2003. Lumber duties in the quarter were \$42 million (2003 - \$26 million). Benchmark SPF 2X4 lumber prices averaged US \$437 per Mfbm in the current quarter compared to the previous quarter's average of US \$367 per Mfbm and the second quarter 2003 average of US \$247 per Mfbm.

The expected improvement in the availability of rail cars for the quarter failed to materialize due mostly to continued strong growth in the North American economy that is increasing the demand for transportation services. To offset the shortage of surface transport, West Fraser has begun to use ships to deliver lumber to the US east coast. As a result of this initiative, we expect to see improved shipments through the balance of the year.

Panel operations generated EBITDA of \$25 million or 32% of sales in the quarter compared to \$5 million or 9% of sales in the comparable quarter of 2003. Quarterly production records for plywood and MDF were established. The benchmark plywood price rose to an average of \$590 per Msf for the quarter. This compares to an average of \$356 per Msf in the second quarter of 2003. MDF mill net realizations improved during the quarter from both the first quarter of 2004 and the second quarter of 2003.

West Fraser's pulp and paper operations recorded EBITDA of \$24 million or 14% of sales for the quarter compared to negative \$1 million in the same quarter of last year. West Fraser's pulp mills continued to perform well during the quarter and price increases resulted in improved earnings. The Kitimat linerboard and kraft paper mill completed its nine day annual maintenance shutdown in the second quarter. This mill is showing steady improvements in all areas of operation. Alberta Newsprint continued its solid contribution to earnings and established a quarterly production record. Market prices for pulp, newsprint and linerboard have all improved from the second quarter of 2003.

Notable corporate items affecting earnings for the quarter are the share option expense of \$6 million of which there was none in the comparative quarter of 2003 and the exchange loss on long-term debt of \$3 million compared to a gain of \$18 million in the comparative quarter of 2003.

LUMBER TRADE DISPUTE

The US Department of Commerce (DOC) remand response issued April 21, 2004 reduced West Fraser's antidumping duty (ADD) rate to 1.79%, below the threshold level of 2% required in order for the ADD order to apply to West Fraser. However, DOC also found that this determination would not be retroactive, with the result that West Fraser, despite being exempt from the anti-dumping order, would not be entitled to a refund of deposits already paid. West Fraser has appealed this part of the determination to the NAFTA Panel. Until the appeal is finalized and all cash deposits are refunded, West Fraser continues to participate in the administrative reviews of the antidumping order.

Hank Ketcham stated, "The Canadian positions have been supported by significant decisions of NAFTA and WTO panels. West Fraser is disappointed in the American response to these decisions and we continue to believe that the Canadian and West Fraser positions will be upheld through appeals."

OUTLOOK

Building product prices are expected to decline from current high levels in the near term, but should remain strong due to continuing strength in U.S. housing starts and continuing transportation delays. The recent improvements in pulp and paper prices are also expected to be maintained with some further upward potential later in the year. At June 30, 2004 West Fraser had cash and short term investments on hand in excess of debt.

CONFERENCE CALL

Investors are invited to listen to the quarterly conference call to be held July 20th at 8:30 am Pacific Time by dialing in at 1-877-211-7911. The call may also be accessed through West Fraser's website at 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, MDF, plywood, pulp, linerboard, kraft paper and newsprint.

FORWARD LOOKING STATEMENTS

Some information contained in this release is prospective and may be affected by known or unknown risks and uncertainties, which are mostly outside the control of West Fraser. The results or events mentioned in such prospective information may differ substantially from actual results or events.

¹ Non GAAP measure - EBITDA is defined as operating earnings plus amortization of property, plant and equipment.



CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(in millions of Canadian dollars - unaudited)

	April 1 to June 30		January 1 to June 30	
	2004	2003	2004	2003
EARNINGS				
Sales (note 1)	\$ 606.5	\$ 483.7	\$ 1,147.6	\$ 969.8
Costs and expenses				
Cost of products sold	316.2	363.9	637.6	690.7
Freight and other distribution costs	77.4	78.4	160.0	155.8
Countervailing and antidumping duties	41.9	26.3	73.2	49.6
Amortization of property, plant and equipment	34.6	33.0	71.0	71.9
Selling, general and administrative	19.1	15.1	36.7	32.6
Share option expense (note 3)	6.3	-	16.2	-
	495.5	516.7	994.7	1,000.6
Operating earnings	111.0	(33.0)	152.9	(30.8)
Other				
Interest expense - net	(4.0)	(3.8)	(8.3)	(8.6)
Exchange gain (loss) on long-term debt	(3.0)	17.7	(5.0)	33.9
Other income (expense)	1.0	1.1	1.5	(4.1)
	105.0	(18.0)	141.1	(9.6)
Earnings before income taxes	105.0	(18.0)	141.1	(9.6)
Income tax recovery (expense)	(38.1)	12.8	(47.7)	15.3
Earnings	\$ 66.9	\$ (5.2)	\$ 93.4	\$ 5.7
Earnings per share (note 4)				
Basic	\$ 1.82	\$ (0.14)	\$ 2.54	\$ 0.15
Diluted	\$ 1.79	\$ (0.14)	\$ 2.50	\$ 0.15
RETAINED EARNINGS				
Balance - beginning of period as previously reported	\$ 1,015.1	\$ 977.0	\$ 986.7	\$ 964.2
Cumulative effect of change in accounting policy (note 2)	-	-	7.1	7.1
Balance - beginning of period as restated	1,015.1	977.0	993.8	971.3
Earnings	66.9	(5.2)	93.4	5.7
	1,082.0	971.8	1,087.2	977.0
Common share dividends	(5.1)	(5.1)	(10.3)	(10.3)
Balance - end of period	\$ 1,076.9	\$ 966.7	\$ 1,076.9	\$ 966.7



CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars - unaudited)

	April 1 to June 30		January 1 to June 30	
	2004	2003	2004	2003
Cash Flows From Operating Activities				
Earnings	\$ 66.9	\$ (5.2)	\$ 93.4	\$ 5.7
Items not affecting cash				
Amortization of property, plant and equipment	34.6	33.0	71.0	71.9
Exchange (gain) loss on long-term debt	3.0	(17.7)	5.0	(33.9)
Future income taxes	(3.0)	(3.1)	(9.4)	(8.0)
Change in other long-term liabilities	0.2	0.4	(0.8)	-
Change in reforestation obligation	(7.7)	(3.8)	1.9	9.9
Gain on asset sales	(0.7)	(1.5)	(0.3)	(1.7)
Other	0.3	0.6	0.8	1.2
	93.6	2.7	161.6	45.1
Net change in non-cash working capital items	53.1	47.9	(22.7)	(47.1)
	146.7	50.6	138.9	(2.0)
Cash Flows From Financing Activities				
Repayment of long-term debt	(13.3)	(16.8)	(13.3)	(16.8)
Dividends	(5.1)	(5.1)	(10.3)	(10.3)
Other	0.1	-	0.6	0.5
	(18.3)	(21.9)	(23.0)	(26.6)
Cash Flows From Investing Activities				
Property, plant and equipment additions	(36.6)	(20.7)	(59.2)	(38.4)
Proceeds from disposal of property, plant & equipment	3.3	5.1	3.4	9.7
Acquisition	-	(6.2)	-	(6.2)
Change in other assets	(3.4)	(2.3)	(12.7)	(6.6)
	(36.7)	(24.1)	(68.5)	(41.5)
Change in cash	91.7	4.6	47.4	(70.1)
Net cash - beginning of period	221.6	118.2	265.9	192.9
Net cash - end of period	\$ 313.3	\$ 122.8	\$ 313.3	\$ 122.8
<i>Interest paid</i>	\$ 4.8	\$ 5.6	\$ 11.1	\$ 12.6
<i>Income taxes paid</i>	\$ 8.1	\$ 9.2	\$ 17.0	\$ 38.5



CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars - unaudited)

	As at June 30, 2004	As at December 31, 2003
ASSETS		
Current assets		
Cash and short-term investments	\$ 313.3	\$ 265.9
Accounts receivable	179.1	158.0
Inventories	352.2	322.3
Prepaid expenses	25.6	9.2
	<u>870.2</u>	<u>755.4</u>
Other assets		
Property, plant and equipment	76.0	64.3
Deferred charges	1,233.9	1,245.7
	21.7	21.3
	<u>\$ 2,201.8</u>	<u>\$ 2,086.7</u>

LIABILITIES & SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable and accrued liabilities	\$ 230.3	\$ 186.2
Current portion of reforestation obligation	31.0	30.8
Current portion of long-term debt	-	13.0
	<u>261.3</u>	<u>230.0</u>
Long-term debt		
Reforestation obligation	291.6	287.0
Other liabilities	52.3	50.7
Future income taxes	11.4	8.1
	<u>180.3</u>	<u>189.7</u>
	<u>796.9</u>	<u>765.5</u>
Shareholders' equity (note 4)	1,404.9	1,321.2
	<u>\$ 2,201.8</u>	<u>\$ 2,086.7</u>

Number of Common shares outstanding at July 19, 2004 was 36,871,205

QUARTERLY COMPARISONS

January 1 to December 31

(in millions of Canadian dollars - unaudited)

	2004	2003
Sales		
First	\$ 541.1	\$ 486.1
Second	606.5	483.7
Third		483.9
Fourth		466.9
	<u>\$</u>	<u>1,920.6</u>
Earnings		
First	\$ 26.5	\$ 10.9
Second	66.9	(5.2)
Third		3.1
Fourth		34.3
	<u>\$</u>	<u>43.1</u>
Diluted Earnings Per Share (in dollars)		
First	\$ 0.71	\$ 0.29
Second	\$ 1.79	\$ (0.14)
Third		\$ 0.09
Fourth		\$ 0.92
Annual	<u>\$</u>	<u>1.16</u>

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

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
April 1, 2004 to June 30, 2004					
Sales					
To external customers	\$ 364.5	\$ 77.6	\$ 164.4		\$ 606.5
To other segments	12.6				
	<u>\$ 377.1</u>	<u>\$ 77.6</u>	<u>\$ 164.4</u>	<u>-</u>	
EBITDA ¹	\$ 107.4	\$ 25.0	\$ 23.8	\$ (10.6)	\$ 145.6
Amortization of property, plant and equipment	14.1	5.8	14.3	0.4	34.6
Operating earnings (loss)	93.3	19.2	9.5	(11.0)	111.0
Interest expense	(2.4)	(0.3)	(1.3)	-	(4.0)
Exchange loss on long-term debt	-	-	-	(3.0)	(3.0)
Other income (expense)	(0.9)	-	(0.4)	2.3	1.0
Earnings (loss) before income taxes	\$ 90.0	\$ 18.9	\$ 7.8	\$ (11.7)	\$ 105.0

April 1, 2003 to June 30, 2003

Sales					
To external customers	\$ 283.7	\$ 54.0	\$ 146.0		\$ 483.7
To other segments	7.1				
	<u>\$ 290.8</u>	<u>\$ 54.0</u>	<u>\$ 146.0</u>	<u>-</u>	
EBITDA ¹	\$ (3.5)	\$ 4.6	\$ (0.7)	\$ (0.4)	\$ 0.0
Amortization of property, plant and equipment	12.3	5.9	14.2	0.6	33.0
Operating loss	(15.8)	(1.3)	(14.9)	(1.0)	(33.0)
Interest income (expense)	0.5	0.3	1.2	(5.8)	(3.8)
Exchange gain on long-term debt	-	-	-	17.7	17.7
Other income (expense)	4.0	-	-	(2.9)	1.1
Earnings (loss) before income taxes	\$ (11.3)	\$ (1.0)	\$ (13.7)	\$ 8.0	\$ (18.0)

¹ Non GAAP measure:

EBITDA is defined as operating earnings plus amortization of property, plant and equipment.





FIRST HALF SEGMENTED INFORMATION
(in millions of Canadian dollars - unaudited)

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
January 1, 2004 to June 30, 2004					
Sales					
To external customers	\$ 681.7	\$ 146.0	\$ 319.9		\$ 1,147.6
To other segments	24.6				
	<u>\$ 706.3</u>	<u>\$ 146.0</u>	<u>\$ 319.9</u>	<u>-</u>	
EBITDA ¹	\$ 176.2	\$ 39.0	\$ 32.5	\$ (23.8)	\$ 223.9
Amortization of property, plant and equipment	28.8	12.2	29.1	0.9	71.0
Operating earnings (loss)	147.4	26.8	3.4	(24.7)	152.9
Interest expense	(4.7)	(0.6)	(2.6)	(0.4)	(8.3)
Exchange loss on long-term debt	-	-	-	(5.0)	(5.0)
Other income (expense)	(1.4)	-	(0.8)	3.7	1.5
Earnings (loss) before income taxes	\$ 141.3	\$ 26.2	\$ -	\$ (26.4)	\$ 141.1

January 1, 2003 to June 30, 2003

Sales					
To external customers	\$ 549.1	\$ 112.0	\$ 308.7		\$ 969.8
To other segments	14.1				
	<u>\$ 563.2</u>	<u>\$ 112.0</u>	<u>\$ 308.7</u>	<u>-</u>	
EBITDA ¹	\$ 21.2	\$ 13.5	\$ 9.0	\$ (2.6)	\$ 41.1
Amortization of property, plant and equipment	30.5	12.3	27.9	1.2	71.9
Operating earnings (loss)	(9.3)	1.2	(18.9)	(3.8)	(30.8)
Interest income (expense)	(4.8)	(1.0)	(3.3)	0.5	(8.6)
Exchange gain on long-term debt	-	-	-	33.9	33.9
Other income (expense)	6.5	-	-	(10.6)	(4.1)
Earnings (loss) before income taxes	\$ (7.6)	\$ 0.2	\$ (22.2)	\$ 20.0	\$ (9.6)

¹ Non GAAP measure:

EBITDA is defined as operating earnings plus amortization of property, plant and equipment.



SECOND QUARTER OPERATING HIGHLIGHTS

		April 1 to June 30		January 1 to June 30	
		2004	2003	2004	2003
Lumber	Production (Mfbm)	711,668	655,836	1,413,905	1,305,317
	Shipments (Mfbm)	611,521	689,520	1,223,119	1,261,239
Panels					
MDF	Production (Msf - 3/4")	71,163	58,045	139,624	123,244
	Shipments (Msf - 3/4")	72,267	60,274	147,875	129,457
Plywood	Production (Msf - 3/8")	66,580	63,881	127,128	122,124
	Shipments (Msf - 3/8")	71,064	69,559	134,195	119,236
Pulp & Paper (tonnes)					
Linerboard and Kraft paper	Production	104,714	56,730	210,008	156,302
	Shipments	95,322	78,849	201,260	187,462
Pulp	Production	130,682	128,522	261,422	258,433
	Shipments	127,634	138,814	256,543	263,302
Newsprint	Production	34,287	34,009	68,355	62,504
	Shipments	33,777	33,764	67,146	61,699

NOTES TO INTERIM FINANCIAL STATEMENTS

(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 for the year ended December 31, 2003.

The company has presented freight and other distribution costs and countervailing and antidumping duties as part of costs and expenses in the statement of earnings and reclassified the prior period's presentation accordingly. Previously these expenses were presented as a reduction of gross sales to determine net sales in accordance with industry practice.

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

2. CHANGE IN ACCOUNTING POLICY

Asset Retirement Obligations

Effective January 1, 2004, the company adopted new accounting requirements for asset retirement obligations, as recommended by the Canadian Institute of Chartered Accountants. Under the new requirements the company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset. This statement changed the company's accounting for landfill closure costs and reforestation liabilities.

Accordingly, the company retroactively adjusted the carrying value of liabilities, previously reported on a non-discounted basis, for reforestation and certain landfill closure costs and recorded liabilities and the associated asset for landfill closure costs not previously accrued. The net increase to property, plant and equipment at January 1, 2004 was \$0.9, the net decrease to liabilities was \$11.3, the decrease to inventory was \$1.9 and the impact on January 1, 2003 opening retained earnings (net of tax of \$3.2) was \$7.1. The cumulative effect of adopting these accounting requirements was not material to the Company's results of operations and the impact was included in costs and expenses in the first quarter of 2004.

(figures are in millions of dollars except where indicated)

3. SHAREHOLDERS' EQUITY

	June 30, 2004		December 31, 2003	
	Number of Shares Issued	Amount	Number of Shares Issued	Amount
Common	31,485,269	\$ 328.3	31,471,508	\$ 327.8
Class B common	5,385,206	0.5	5,385,206	0.5
Total Common	36,870,475	328.8	36,856,714	328.3
Retained Earnings		1,076.9		986.7
Change in Accounting for Asset Retirement Obligations		-		7.1
Share Purchase Loans		(0.8)		(0.9)
Shareholders' Equity		\$ 1,404.9		\$ 1,321.2

During the three months ended June 30, 2004 the company issued 2,615 common shares for cash of \$0.1 (six months ended June 30, 2004 - issued 13,761 common shares for cash of \$0.5).

Share Option Plan

The company has a fixed share option plan for its directors, officers and employees, under which it may grant up to 3,505,506 share options. The exercise price of a share option is equal to the closing price of the company's common shares on the day preceding the grant date. The options vest at 20% per year from the grant date and expire after 10 years.

Effective July 2003, the share option plan was amended to give share option holders the right to elect to receive a cash payment in lieu of receiving common shares. The cash payment is equal to the difference between the exercise price of the share option and the market price of the company's common shares on the date of exercise.

For the three months ended June 30, 2004, the company recorded a share option expense of \$6.3 related to the options outstanding (six months ended June 30, 2004 - \$16.2).

(figures are in millions of dollars except where indicated)

4. EARNINGS PER SHARE

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

Earnings per share figures reflect the 10% stock dividend issued in March 2003 as if the shares had been outstanding from the beginning of the periods presented.

	April 1 to June 30		January 1 to June 30	
	2004	2003	2004	2003
Earnings available to shareholders	\$ 66.9	\$ (5.2)	\$ 93.4	\$ 5.7
Weighted average shares (thousands)				
Weighted average shares – basic	36,834	36,847	36,831	36,846
Share options – treasury stock method	523	271	483	331
Weighted average shares - diluted	37,357	37,118	37,314	37,177
Earnings per share (dollars)				
Basic earnings per share	\$ 1.82	\$ (0.14)	\$ 2.54	\$ 0.15
Diluted earnings per share	\$ 1.79	\$ (0.14)	\$ 2.50	\$ 0.15

5. THE FORESTRY REVITALIZATION PLAN

In March 2003, the Government of B.C. (“Crown”) enacted the Forestry Revitalization Plan (the Plan) that provides for significant changes to Crown forest policy and to the existing allocation of Crown timber tenures to licensees. The changes prescribed in the Plan include: the elimination of minimum cut control regulations, the elimination of existing timber processing regulations, and the elimination of restrictions limiting the transfer and subdivision of existing licenses. As well, through legislation, licensees, including the company, will be required to return 20% of their replaceable tenure to the Crown. The Crown has acknowledged that licensees will be fairly compensated for the return of tenures and related costs such as roads and bridges

The effect of the timber take-back is a reduction of approximately 832,000 m³ of the company’s existing allowable annual cut on replaceable tenures. The effect of the Plan on the company’s financial position and results of operations cannot be determined at this time. The company will record the effects of the Plan when the amounts can be estimated.

(figures are in millions of dollars except where indicated)

6. COUNTERVAILING AND ANTIDUMPING DUTIES

On April 25, 2002, the U.S. Department of Commerce (USDOC) issued its final determination in the countervailing and antidumping investigations, which resulted in a countervailing 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.

The company has incurred the following countervailing and antidumping duties:

	<u>April 1 to June 30</u>		<u>January 1 to June 30</u>	
	<u>2004</u>	2003	<u>2004</u>	2003
Countervailing and antidumping duties	\$ 41.9	\$ 26.3	\$ 73.2	\$ 49.6

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 have appealed these decisions to 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 antidumping duties will not be determined until each annual administrative review process is complete.

An administrative review is currently underway and is expected to be completed by December 2004 and may extend beyond that date if appealed.

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

Further information may be obtained from:

Mr. Martti Solin Vice President, Finance and Chief Financial Officer

or **Mr. Sam Ketcham**, Director of Corporate Planning

Telephone number (604) 895-2700

www.westfraser.com