



West Fraser

Second Quarter 2011 Results

July 22, 2011

Forward-Looking Statements, EBITDA and Benchmark Prices

Please see our cautionary statements concerning forward-looking statements, EBITDA and benchmark prices contained in our 2010 Management's Discussion and Analysis which is on our website (www.westfraser.com) and on SEDAR (www.sedar.com). These statements are incorporated into this presentation by reference.

Second Quarter 2011

Highlights

Summary Financial Results

Lumber

Panels

Pulp & Paper

Consolidated

Outlook

Q2 2011 Highlights

Financial

Lower earnings on struggling economic recovery

Canadian dollar continued strengthening – \$1.033

Markets

Building products prices down in Q2

‘Normal’ U.S. spring building season did not transpire

Lumber shipments to China increased

Operational

Operations ran well

Lumber

	<u>Q2-11</u>	<u>Q1-11</u>	<u>YTD-11</u>	<u>Q2-10</u>	<u>YTD-10</u>
Sales - \$ millions	438	411	849	464	873
EBITDA - \$ millions	11	56	67	75	142
EBITDA margin - %	3	13	8	16	16

Lumber price summary

\$US SPF 2 x 4 down 18% from Q1-11 (down 8% from Q2-10)

\$US SYP 2 x 4 down 14% from Q1-11 (down 29% from Q2-10)

Shipments up 18% from Q1-11 (up 10% from Q2-10)

Production flat from Q1-11 (up 4% from Q2-10)

Canadian mills operating at capacity

U.S. mills operating at approximately 78% of capacity

Panels

	<u>Q2-11</u>	<u>Q1-11</u>	<u>YTD-11</u>	<u>Q2-10</u>	<u>YTD-10</u>
Sales - \$ millions	96	91	187	108	208
EBITDA - \$ millions	(1)	4	3	20	31
EBITDA margin - %	n/a	4	2	19	15

Plywood

Benchmark prices down marginally from Q1-11 (down 20% from Q2-10)

Shipments up 10% from Q1-11 (up 2% from Q2-10)

Production flat from Q1-11 (down 6% from Q2-10)

MDF

Benchmark prices up marginally from Q1-11 (up 2% from Q2-10)

Shipments and production relatively flat from Q1-11 and Q2-10

Pulp & Paper

	<u>Q2-11</u>	<u>Q1-11</u>	<u>YTD-11</u>	<u>Q2-10</u>	<u>YTD-10</u>
Sales - \$ millions	211	209	420	226	429
EBITDA - \$ millions	38	47	85	53	95
EBITDA margin - %	18	22	20	23	22

Benchmark NBSK pulp prices up 6% from Q1-11 (up 3% from Q2-10)

Shipments relatively flat from Q1-11 and Q2-10

Production flat from Q1-11 (up 13% from Q2-10)

Consolidated Financial Results

Revenue and Earnings (Canadian \$ millions)

	<u>Q2-11</u>	<u>Q1-11</u>	<u>YTD-11</u>	<u>Q2-10</u>	<u>YTD-10</u>
Sales	720	687	1,407	772	1,460
Operating Earnings	22	35	57	109	166
Earnings from continuing operations	11	20	31	67	105
Earnings	10	19	29	67	96
EPS from continuing operations¹	(0.07)	0.46	0.73	1.28	2.38
EPS after discontinued operations¹	(0.09)	0.44	0.68	1.27	2.16
EBITDA	62	80	142	157	264
EBITDA margin - %	9	12	10	20	18

1. Diluted

Consolidated Financial Results

Cash Flow (Canadian \$ millions)

	<u>Q2-11</u>	<u>Q1-11</u>	<u>YTD-11</u>	<u>Q2-10</u>	<u>YTD-10</u>
Cash from operating activities before working capital changes	54	33	87	162	348
Non-cash working capital changes	61	(89)	(28)	83	(29)
Capital spending, net of GTP	(35)	(11)	(46)	(27)	(54)
Financing	(19)	(6)	(25)	(133)	(179)
Dividends	(6)	(6)	(12)	(1)	(3)
Other	-	-	-	-	(3)
Change in cash from continuing operations	55	(79)	(24)	84	80
Cash used by discontinued operations	(2)	(1)	(3)	25	24
Total change in cash	53	(80)	(27)	109	104

Consolidated Financial Results

Balance Sheet

(Canadian \$ millions)

	Q2/11	End of Q4/10	Q2/10
Working Capital	450	400	338
Property, Plant, Equipment & Timber	1,401	1,434	1,502
Other Assets	371	387	378
Other Liabilities	395	387	421
Long-term Debt	290	300	320
Shareholders' Equity	1,537	1,534	1,477
Net Debt to Total Capitalization Ratio	9%	9%	14%
Available liquidity	629	618	654

Short-term Outlook

Lumber

Demand remains soft due to continued low U.S. housing starts

Lumber prices will remain under pressure as a result

Demand in China could increase, dependent on economy staying strong

Panels

Competition from U.S. plywood imports will continue until the Canadian dollar weakens or U.S. housing improves

Plywood prices should remain under pressure as a result

Pulp

NBSK demand and pricing weakening on economic slowdown

BCTMP pricing will be flat as new capacity is absorbed

General

Canadian dollar will stay strong for balance of 2011

Longer-term Outlook

Lumber

Positive outlook for lumber as demand improves due to

- US home construction returns to trend levels
- Growing demand in new markets (China, India, etc.)

Sustained higher lumber prices should reduce trade friction with U.S.

Pulp

Growing demand in Asia should offset growth in market pulp capacity

Bioenergy

Opportunities to enhance profitability of existing businesses

Environmental

Sustainable, renewable, carbon conserving aspects of industry recognized

General

Strategic growth opportunities in core businesses will be available