Executing our Strategy

Operating a margin focused coastal lumber business of sufficient scale to compete in global softwood lumber markets

Western Forest Products – Annual General Meeting
May 10, 2007
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WFP is now positioned within the largest producers in North America and is the largest producer on the B.C. coast

- Acquisition of Englewood and Cascadia assets in 2006 provided:
  - Scale to compete in global lumber market
  - Superior timber asset base – over 20% of timber is high value cedar
  - Flexible, low cost converting facilities
  - Enhanced marketing and sales expertise driving sales into global markets - reduces reliance on weakening US market
High quality timber assets

- Favourable species mix and flexible converting facilities provide diversified product mix
  - Able to build strong market positions in niche market segments
  - Specialty products generate higher return on timber assets

- WFP’s Vancouver Island and B.C. coast timberlands species are not affected by the Mountain Pine Beetle epidemic
Successfully integrated Englewood and Cascadia acquisitions to create a low cost, margin focused lumber producer

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<th>Rationalized and Improved Operations</th>
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<td>• Consolidated offices</td>
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<td>• Rationalized manufacturing operations</td>
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<td>• Completed exit from pulp business</td>
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<td>• Improved safety performance by 30% Medical Incident Rate reduction</td>
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<th>Strengthened Management Team</th>
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<td>• New senior management team built since 2004</td>
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<th>Improved Business Systems</th>
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<td>• Consolidated diverse operating systems to one uniform system</td>
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<td>• Implemented new inventory management and costing systems for margin-focused decision making</td>
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<th>Improved Profitability and Strengthened Balance Sheet</th>
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<td>• Began achieving synergies from acquisitions</td>
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<td>• Generated substantial EBITDA improvement versus 2005</td>
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<td>• Reduced debt from $319M at YE 2005 to $189M Q1 2007</td>
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<td>• Re-negotiated debt facility to reduce financing costs</td>
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EBITDA improved through the year to a total of $27.9* million compared to negative $11.6 million in 2005.

* Not including softwood lumber duty refund
In 2007 we will focus on:

• Continuing to strengthen operations

• Surfacing value from non-core assets

• Significantly reducing debt
2007 Objectives

Continuing to strengthen operations

- Rationalized sawmills to reduce costs
  - Closed New Westminster sawmill
  - Re-started Saltair sawmill
  - Completing $13 million upgrade project at Cowichan Bay sawmill

- Combined WFP, Englewood and Cascadia TFL’s to lower cost of logging operations
  - Improved log flow to sawmills and dryland sort operations
  - Working with logging contractors to further rationalize operations
Continuing to strengthen operations

- Able to leverage marketing expertise and broad product mix to drive volumes in other markets during the soft US construction lumber market
- Will continue to increase sales in other regions to continue driving profitability
- WFP well positioned to benefit from return of US market
Surfacing value from non-core assets

• Identified several non-core assets with substantial underlying value:
  – Higher and better use timberlands (about 4,000 hectares)
  – Squamish pulp mill site
  – Duke Point merchandiser site
  – New Westminster sawmill site
  – Port McNeil gravel lease property
  – Other small properties

• Target is to sell assets within 2 years

• Above assets do not include majority of private timberlands held by WFP
  – Recently received approval from BC government to remove private lands from the Tree Farm Licenses to gain flexibility in management and the option to sell
2007 Objectives

Significantly reducing debt

- Reduced debt to $189 million from $319 million at December 2005 with proceeds from Softwood Lumber Duty refund

- Significantly reduced debt financing costs by re-negotiating term loan facility

- Opportunity to significantly reduce debt within 2 years through non-core asset sales and cash flow from operations.

- Strengthened balance sheet allows WFP to:
  - continue reinvesting in existing operations
  - grow the company

![Net Debt to Equity Ratio Chart]
WFP is a compelling investment opportunity

**Superior timber asset base**
- Diversified, high quality timber assets
- Fibre basket outside of Mountain Pine Beetle affected area

**Scale to compete globally**
- Largest lumber producer on the BC coast
- Among the largest lumber producers in North America

**Competitive operations**
- Continued operational enhancements leading to improved EBITDA, even in soft US lumber market
- Further high return capital projects available

**Marketing and sales capabilities**
- Able to divert volumes into other markets during periods of weak US demand
- Substantial leverage to an improved US housing market

**Improving balance sheet**
- Substantial value in non-core assets
- Improving balance sheet, with opportunity to reduce debt significantly
- Ability to pursue further operational enhancements or growth opportunities