



**For immediate release: January 31, 2002**

## **TIMBERWEST ANNOUNCES 2001 RESULTS**

***Fourth quarter distributable cash generated totalled \$16.8 million***

***First quarter cash distribution announced***

Vancouver (BC) – TimberWest generated distributable cash of \$16.8 million, or basic and diluted distributable cash of \$0.26 per weighted average Stapled Unit for the quarter ended December 31, 2001 compared to distributable cash of \$18.5 million, or basic distributable cash of \$0.29 per weighted average Stapled Unit and diluted distributable cash of \$0.28 per weighted average Stapled Unit for the same period in 2000. For the year ended December 31, 2001, TimberWest generated distributable cash of \$83.5 million, or basic and diluted distributable cash of \$1.29 per weighted average Stapled Unit, compared to distributable cash of \$89.2 million, or basic and diluted distributable cash of \$1.34 per weighted average Stapled Unit for 2000.

The Company also announced its quarterly distribution of \$0.269 per Stapled Unit, payable on April 15, 2002 to unitholders of record on April 1, 2002.

Paul McElligott, President and CEO, said: “Despite significant declines in both prices and domestic demand, we have delivered strong results in the fourth quarter of 2001 and for the year. We have a history of doing what it takes to deliver results — from finding new markets to striving for operational efficiencies — and 2001 was no exception”.

“We also delivered a strong safety performance in the fourth quarter and for the year. In fact, the Company reduced its lost-time accidents by 56 percent in 2001 compared to the previous year and reduced its Medical Incident Rate to 6.69 from 14.50. I’m proud of our team of employees and their focus on safety and their ability to successfully tackle the challenges the industry has faced over the past year”.

The Company concluded its strategic planning process in the quarter, which involved intense analysis of every aspect of TimberWest’s business and its markets. TimberWest has developed the following goals:

- Enhance the performance of existing business units through operations excellence;
- Use operations excellence as the platform for future growth;
- Expand private timberland business in the longer term;
- Work proactively with government on tenure reform;
- Participate in conversion facilities where there is clear value to the fibre basket and there is economic return on capital employed; and
- Participate in real estate activity where it adds value.

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"We believe our strategic plan enhances our strengths and focuses the Company on areas for improvement", McElligott said. "The Company has been a strong performer and this plan will make it stronger. In reflecting on where we have been, TimberWest's strong performance over the past three years is attributable primarily to our successful market diversification strategy and the resulting increase in log sales to Japan, the US West Coast and emerging Asian markets. Log export volumes have increased threefold since 1998. It was our ability to export logs that enabled us to keep most of our employees working in 2001, when all other coastal forest companies were taking extended downtime".

"The gains that we have made to date in log exports have been excellent, but we do not believe further gains of a similar order of magnitude are possible. In addition, as we move increasingly into second growth stands, the trees we harvest are smaller and our end use sorts in the future will be different from our present sorts. As a result, focusing on operating performance improvements, quality and market diversification will be important", McElligott said.

He added: "That new focus is operations excellence. It is clear that our priority must be to improve our performance in all of our businesses, and that means improved productivity and cost reductions. Operating in a safe and sustainable fashion, with a continued strong emphasis on environmental stewardship, is part of operations excellence".

Earnings available for distribution for the quarter, before provision for future income taxes and write-down of capital assets and related costs, were \$7.7 million, or \$0.12 per weighted average Stapled Unit compared to \$13.8 million, or \$0.21 per weighted average Stapled Unit for the same quarter in 2000. Net sales for the fourth quarter were \$115.6 million, 6% lower than net sales of \$123.3 million reported for the same period in 2000. Operating earnings were \$15.9 million for the fourth quarter of 2001 compared to \$20.7 million for the same quarter in 2000. EBITDA for the quarter ended December 31, 2001 was \$17.8 million, or \$0.27 per weighted average Stapled Unit compared to \$23.4 million, or \$0.36 per weighted average Stapled Unit for the same period in 2000. EBITDA does not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and may not be comparable to similar measures provided by other companies. A reconciliation between net earnings as determined in accordance with GAAP and EBITDA is provided in the supplemental information appended to this press release.

For the year ended December 31, 2001, earnings available for distribution before provision for future income taxes and write-down of capital assets and related costs were \$58.8 million, or \$0.90 per weighted average Stapled Unit, compared to \$68.0 million, or \$1.02 per weighted average Stapled Unit for 2000. Net sales for the 2001 fiscal year were \$461.9 million, down 5% from net sales of \$487.0 million in the prior year. Operating earnings for 2001 were \$87.2 million compared to \$96.2 million for 2000. EBITDA for the year ended December 31, 2001 was \$100.6 million, or \$1.55 per weighted average Stapled Unit compared to \$109.1 million, or \$1.64 per weighted average Stapled Unit for 2000.

### **Outlook**

TimberWest anticipates the first half of 2002 to be similar to the last half of 2001, with business conditions improving during the second half of the year. As in previous years, TimberWest plans to use the flexibility of its asset base, its market diversity and its pursuit of operations excellence to deliver consistent results.

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## Quarterly Conference Call

TimberWest will hold a conference call at 11:00 a.m. PST (2:00 p.m. EST) on Friday, February 1, 2002 to discuss the Company's fourth quarter and year-end results. To access the conference call, listeners should dial 1-800-779-0636. For those unable to participate in the live call, a recording of the call will be available until February 8, 2002 and can be accessed at 1-800-558-5253 using code 20213648. The conference call will also be broadcast live on the internet via TimberWest's internet site at [www.timberwest.com](http://www.timberwest.com). The webcast will be archived and available for viewing for a period of 90 days.

## Forward Looking Statements

The statements which are not historical facts contained in this release are forward-looking statements that involve risks and uncertainties. TimberWest's actual results could differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, general economic conditions, variations in TimberWest's product prices and changes in commodity prices generally, changes in market conditions, actions of competitors, interest rate and foreign currency fluctuations, regulatory and harvesting fee changes and other actions by governmental authorities, the ability to implement business strategies and pursue business opportunities, weather conditions, forest fires and other natural phenomena and other risks and uncertainties described in TimberWest's public filings with securities regulatory authorities.

<b>Summary Financial Information</b> <i>(in millions of dollars, except per Stapled Unit amounts)</i> <i>Unaudited</i>	<b>Three Months Ended</b> <b>December 31</b>		<b>Twelve Months Ended</b> <b>December 31</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
Net sales	<b>115.6</b>	123.3	<b>461.9</b>	487.0
Operating earnings	<b>15.9</b>	20.7	<b>87.2</b>	96.2
Earnings available for distribution before provision for future income taxes and write-down of capital assets and related costs	<b>7.7</b>	13.8	<b>58.8</b>	68.0
Distributable cash	<b>16.8</b>	18.5	<b>83.5</b>	89.2
Proceeds from sale of capital assets	<b>2.2</b>	3.5	<b>12.4</b>	11.3
Proceeds from sale of other assets	-	-	-	4.2
Maintenance capital expenditures	<b>2.8</b>	3.1	<b>7.3</b>	10.3
Distributions paid	<b>17.5</b>	17.4	<b>69.9</b>	73.0
<b>\$ per weighted average Stapled unit:</b> <i>(unless otherwise noted)</i>				
Earnings available for distribution before provision for future income taxes and write-down of capital assets and related costs	<b>0.12</b>	0.21	<b>0.90</b>	1.02
Basic distributable cash	<b>0.26</b>	0.29	<b>1.29</b>	1.34
Distributions paid per outstanding unit	<b>0.27</b>	0.27	<b>1.08</b>	1.08

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<b>Consolidated Statements of Distributable Cash</b> <i>(in millions of dollars, except per Stapled Unit amounts)</i> <i>Unaudited</i>	<b>For the three months ended</b> <b>December 31</b>		<b>For the twelve months ended</b> <b>December 31</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>Net earnings for the period</b>	\$ <b>1.5</b>	\$ 118.8	\$ <b>44.6</b>	\$ 204.9
Income tax benefit related to distributions	<b>6.0</b>	13.9	<b>29.4</b>	32.6
Earnings available for distribution	<b>7.5</b>	132.7	<b>74.0</b>	237.5
Future income tax expense (recovery)	<b>0.2</b>	(120.2)	<b>(15.2)</b>	(170.8)
Write-down of capital assets and related costs	-	1.3	-	1.3
Earnings available for distribution before provision for future income tax expense (recovery) and write-down of capital assets and related costs	<b>7.7</b>	13.8	<b>58.8</b>	68.0
Add (deduct):				
Depreciation, depletion and amortization	<b>4.7</b>	4.2	<b>17.0</b>	17.1
Proceeds from sale of capital assets	<b>2.2</b>	3.5	<b>12.4</b>	11.3
Proceeds from sale of other assets	-	-	-	4.2
Gain on sale of capital assets	<b>(0.1)</b>	(0.2)	<b>(2.5)</b>	(2.0)
Maintenance capital expenditures	<b>(2.8)</b>	(3.1)	<b>(7.3)</b>	(10.3)
Other non-cash items	<b>5.1</b>	0.3	<b>5.1</b>	0.9
	<b>9.1</b>	4.7	<b>24.7</b>	21.2
<b>Distributable cash</b>	\$ <b>16.8</b>	\$ 18.5	\$ <b>83.5</b>	\$ 89.2
<b>Basic distributable cash per weighted average Stapled Unit</b>	\$ <b>0.26</b>	\$ 0.29	\$ <b>1.29</b>	\$ 1.34
<b>Diluted distributable cash per weighted average Stapled Unit</b>	\$ <b>0.26</b>	\$ 0.28	\$ <b>1.29</b>	\$ 1.34
<b>Cash distributions declared per Stapled Unit</b>	\$ <b>0.27</b>	\$ 0.27	\$ <b>1.08</b>	\$ 1.08
<i>Stapled Units outstanding at the end of the period (000's)</i>	<b>64,691</b>	64,825	<b>64,691</b>	64,825

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## Consolidated Balance Sheets

(in millions of dollars)

Unaudited

	As at December 31, 2001	As at December 31, 2000
<b>Assets</b>		
Current assets:		
Accounts receivable	\$ 32.1	\$ 26.5
Inventories	54.2	55.2
Prepaid expenses and other current assets	2.3	0.8
Future income taxes	3.0	3.5
	<u>91.6</u>	<u>86.0</u>
Capital assets, net	1,369.1	1,384.3
Other assets	26.5	35.0
	<u>\$ 1,487.2</u>	<u>\$ 1,505.3</u>
<b>Liabilities and Unitholders' Equity</b>		
Current liabilities:		
Overdraft facility	\$ 3.6	\$ 7.3
Non-revolving credit facility	200.0	-
Operating loan	-	41.0
Bank term loan	-	201.8
Accounts payable and accrued liabilities	41.2	48.9
Distribution payable	17.4	17.5
	<u>262.2</u>	<u>316.5</u>
Revolving credit facility	50.0	-
Debentures	125.0	125.0
Long-term silviculture liability	4.9	4.3
Non-pension post-retirement benefits	22.7	22.2
Future income taxes	233.9	249.6
	<u>698.7</u>	<u>717.6</u>
Unitholders' equity		
Stapled Units, consisting of Series A Subordinate Notes, preferred shares and common shares	728.1	731.4
Retained earnings	60.4	56.3
	<u>788.5</u>	<u>787.7</u>
	<u>\$ 1,487.2</u>	<u>\$ 1,505.3</u>

# TIMBERWEST FOREST CORP.

Consolidated Statements of Cash Flows (in millions of dollars) Unaudited	For the three months ended December 31		For the twelve months ended December 31	
	2001	2000	2001	2000
	<b>Cash provided by (used in):</b>			
<b>Operating activities:</b>				
Earnings before income taxes	\$ 7.9	\$ 12.6	\$ 60.2	\$ 67.5
Cash income taxes	(0.2)	(0.1)	(1.4)	(0.8)
	<u>7.7</u>	<u>12.5</u>	<u>58.8</u>	<u>66.7</u>
Items not involving cash:				
Depreciation, depletion and amortization	4.7	4.2	17.0	17.1
Gain on sale of capital assets	(0.1)	(0.2)	(2.5)	(2.0)
Other non-cash items	0.3	(4.2)	1.1	(3.2)
Write-down of capital assets and related costs	-	1.3	-	1.3
	<u>12.6</u>	<u>13.6</u>	<u>74.4</u>	<u>79.9</u>
Changes in non-cash working capital:				
Accounts receivable	0.5	5.7	(5.6)	5.7
Inventories	16.8	8.6	1.0	3.9
Prepaid expenses and other current assets	2.2	4.1	(1.5)	1.3
Accounts payable and accrued liabilities	(0.2)	(8.5)	(7.7)	(1.1)
	<u>31.9</u>	<u>23.5</u>	<u>60.6</u>	<u>89.7</u>
<b>Financing activities:</b>				
Issuance of Stapled Units	1.5	-	3.4	-
Purchase of Stapled Units for return to treasury	-	-	-	(51.8)
Increase (decrease) in overdraft facility	(4.7)	4.1	(3.7)	2.1
Increase in non-revolving credit facility	-	-	200.0	-
Increase (decrease) in revolving credit facility	(14.6)	-	50.0	-
Increase (decrease) in operating loan	-	(14.0)	(41.0)	31.0
Decrease in term loan	-	-	(201.8)	-
Deferred debt issue costs	(0.7)	-	(5.2)	-
Distributions paid to unitholders	(17.5)	(17.4)	(69.9)	(73.0)
	<u>(36.0)</u>	<u>(27.3)</u>	<u>(68.2)</u>	<u>(91.7)</u>
<b>Investing activities:</b>				
Maintenance capital expenditures	(2.8)	(3.1)	(7.3)	(10.3)
Proceeds from sale of capital assets	2.2	3.5	12.4	11.3
Decrease in other assets	4.7	3.4	2.5	1.0
	<u>4.1</u>	<u>3.8</u>	<u>7.6</u>	<u>2.0</u>
<b>Increase in cash</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash, beginning of period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash, end of period</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Supplemental information:</b>				
Purchase of Stapled Units for return to treasury, a non-cash financing and investing activity	\$ 6.7	\$ -	\$ 6.7	\$ -
Interest paid	\$ 2.9	\$ 4.3	\$ 23.4	\$ 23.5
Income taxes paid	\$ 0.2	\$ 0.2	\$ 1.2	\$ 1.8

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**Consolidated Statements of Operations**  
(in millions of dollars, except per common share amounts)  
*Unaudited*

For the three months ended  
December 31

For the twelve months ended  
December 31

2001

2000

2001

2000

<b>Net sales</b>	\$ 115.6	\$ 123.3	\$ 461.9	\$ 487.0
<b>Operating costs and expenses:</b>				
Cost of products sold	93.4	95.2	346.3	363.1
Depreciation, depletion and amortization	2.9	3.3	13.4	13.6
Selling, administrative and other	3.4	4.1	15.0	14.1
	<u>99.7</u>	<u>102.6</u>	<u>374.7</u>	<u>390.8</u>
<b>Operating earnings</b>	<b>15.9</b>	20.7	<b>87.2</b>	96.2
Interest expense	5.2	6.6	23.4	24.5
Amortization of debt issue costs	1.8	0.9	3.6	3.5
Other expense (income)	1.0	(0.7)	-	(0.6)
Write-down of capital assets and related costs	-	1.3	-	1.3
	<u>8.0</u>	<u>8.1</u>	<u>27.0</u>	<u>28.7</u>
<b>Earnings before income taxes</b>	<b>7.9</b>	12.6	<b>60.2</b>	67.5
Income tax expense (recovery)	6.4	(106.2)	15.6	(137.4)
<b>Net earnings for the period</b>	<b>\$ 1.5</b>	\$ 118.8	<b>\$ 44.6</b>	\$ 204.9
<i>Net earnings per common share</i>				
<i>Basic earnings (loss) per common share</i>	<u>\$ (0.15)</u>	<u>\$ 1.78</u>	<u>\$ 0.06</u>	<u>\$ 2.49</u>
<i>Diluted earnings (loss) per common share</i>	<u>\$ (0.15)</u>	<u>\$ 1.77</u>	<u>\$ 0.06</u>	<u>\$ 2.48</u>

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Supplemental Information (in millions of dollars) Unaudited	For the three months ended December 31		For the twelve months ended December 31	
	2001	2000	2001	2000
<b>Sales by Product</b>				
Logs	\$ 100.5	\$ 95.6	\$ 378.4	\$ 362.9
Lumber	11.5	19.9	60.5	96.0
Wood chips and other	2.3	4.4	11.8	16.9
Real estate	1.3	3.4	11.2	11.2
	<u>\$ 115.6</u>	<u>\$ 123.3</u>	<u>\$ 461.9</u>	<u>\$ 487.0</u>
<b>Sales Volume</b>				
Logs (thousand m <sup>3</sup> )	<u>927.7</u>	<u>813.7</u>	<u>3,391.1</u>	<u>3,107.6</u>
Lumber (million fbm)	<u>25.4</u>	<u>36.2</u>	<u>130.2</u>	<u>175.0</u>
<b>Production Volume</b>				
Logs (thousand m <sup>3</sup> )	<u>791.9</u>	<u>775.2</u>	<u>3,621.2</u>	<u>3,526.4</u>
Lumber (million fbm)	<u>25.7</u>	<u>41.9</u>	<u>111.4</u>	<u>175.4</u>
<b>Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)*</b>				
Earnings before income taxes	\$ 7.9	12.6	60.2	67.5
Add:				
Interest expense	5.2	6.6	23.4	24.5
Depreciation, depletion and amortization	2.9	3.3	13.4	13.6
Amortization of debt issue costs	1.8	0.9	3.6	3.5
EBITDA	<u>\$ 17.8</u>	<u>\$ 23.4</u>	<u>100.6</u>	<u>\$ 109.1</u>

\* EBITDA does not have a standardized meaning prescribed by Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies.

## Additional Information

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