



**For immediate release: April 29, 2004**

## **TIMBERWEST GENERATES STRONG FIRST QUARTER RESULTS; COMPANY ANNOUNCES JULY 2004 DISTRIBUTION OF \$0.269 PER STAPLED UNIT**

### ***Cost reduction initiatives result in better margins despite less favourable exchange rate and lower average pricing***

Vancouver (BC) – TimberWest had a strong start to the 2004 fiscal year. Despite a \$25 million or 20% reduction in sales revenue compared to this time last year, margins improved because of lower unit costs of production for both timberland and manufacturing operations.

TimberWest generated distributable cash of \$27.7 million or \$0.36 per Stapled Unit for the first quarter, compared to distributable cash of \$25.7 million or \$0.34 per Stapled Unit for the same period in 2003. This improvement is the result of strong earnings and lower capital spending, offset in part by fewer property sales in the current year period.

President and CEO Paul McElligott said: "We continue to focus on our Operations Excellence strategy. By improving productivity, we have achieved a better margin on our log sales. I think it's particularly telling that, despite a less favourable exchange rate and lower average log sales realizations, the Company generated more distributable cash in Q1 2004 than in Q1 2003 on less sales volume.

Further, on its public land business, the Company gained approval for a significant portion of second-growth cutting permits before the BC Government implemented its market-based timber pricing system (MPS) for coastal BC. TimberWest supports the government's move towards MPS, as being able to respond to markets is critical to the competitiveness of the BC Coast. As the number of timber sales increase with the expanded BC timber sales program, a representative, bias-free data set will develop leading to market-driven value for timber.

"We are pleased that the Elk Falls Lumbermill was cash and earnings positive for the quarter, after being assessed the international price for logs. On the real estate side, the Company is behind its first quarter 2003 pace but this is a matter of timing. We expect real estate earnings to be normal for the year, with the market flat to improving. Finally, the Company's capital expenditures were lower in the first quarter of 2004 relative to the first quarter in 2003," said McElligott.

The Company also announced its quarterly distribution of \$0.269 per Stapled Unit, payable on July 15, 2004, to unitholders of record on July 1, 2004. Since TimberWest's inception in July 1997, including the distribution paid on April 15, 2004, the Company has distributed over \$504 million to unitholders.

McElligott added: "Looking beyond the financials, the Company continues to show steady improvement in health and safety performance. Timberland Operations has a year-to-date MIR rating of 2.96, compared to 3.97 for the first quarter last year, and Elk Falls has an MIR of 1.69 versus last year's MIR of 2.56."

In terms of labour, Donald Munroe, the mediation-arbitration Commissioner appointed by the provincial government in December 2003, is expected to issue his binding award on the Coast Master Agreement with the IWA by the end of May 2004. Given that his terms of reference called upon him to consider the need for terms and conditions of employment that are "consistent with the economic viability and competitiveness of the coastal forest industry in both the short- and long-term, the importance of good labour-management relations, and the interests of the employees and trade unions," decisions of the Commissioner could have a substantial effect on the viability and competitiveness of the Coastal industry.

"The softwood lumber dispute with the US continues unresolved. We were encouraged by NAFTA ruling that US lumber producers have not suffered serious injury from Canada's annual exports. The NAFTA panel ruling said the US International Trade Commission's original finding that Canada's softwood exports posed a serious threat of injury 'is not supported by substantial evidence.' While this is positive, we believe it is imperative to get resolution as quickly as possible and negotiation is still the best route for that. We were pleased that, while in Vancouver last month, Grant Aldonas, the US Commerce Undersecretary, said that an alternative approach to settling this dispute on a nation-wide basis may be for the US to strike a separate agreement with British Columbia. He cited BC's policy reforms and progress in establishing a market-based timber pricing system as the basis for such a deal. We understand exploratory discussions are underway between the government of BC and the US Department of Commerce to determine whether a BC-first deal is possible. We remain hopeful that true market forces will be brought to bear throughout the industry, including on the private land log side," said McElligott.

# TIMBERWEST FOREST CORP.

"I am pleased to report that the CFO and I have certified the quarterly financial statements of TimberWest, having implemented an internal certification process. Our financial statements and certification will be filed with SEDAR," added McElligott.

## Quarterly Financial Highlights

TimberWest generated distributable cash<sup>1</sup> of \$27.7 million or basic and diluted distributable cash of \$0.36 per weighted average Stapled Unit for the quarter ended March 31, 2004, compared to distributable cash of \$25.7 million or basic and diluted distributable cash of \$0.34 per weighted average Stapled Unit for the same period in 2003. The increase in distributable cash from the prior year reflects the net effect of lower capital expenditures in the first quarter of 2004 relative to the first quarter in 2003, offset in part by lower net earnings and lower proceeds on the sale of property, plant and equipment in the first quarter of 2004 compared to the same period in 2003. Earnings available for distribution<sup>1</sup> for the first quarter of 2004, before provision for future income taxes, were \$23.6 million or \$0.31 per basic and diluted weighted average Stapled Unit compared to \$26.3 million or \$0.35 per basic and \$0.34 per diluted weighted average Stapled Unit for the same quarter in 2003. Net sales for the first quarter of 2004 were \$101.6 million compared to net sales of \$126.6 million reported for the first quarter of 2003. Operating earnings were \$28.0 million for the first quarter of 2004 compared to \$30.5 million for the same period in 2003, representing a 14% margin improvement compared to the first quarter of 2003. Earnings before interest, taxes, depreciation and amortization (EBITDA)<sup>1</sup> for the quarter ended March 31, 2004, were \$31.1 million or \$0.41 per basic and diluted weighted average Stapled Unit compared to \$33.5 million or \$0.44 per basic and diluted weighted average Stapled Unit for the same period in 2003. Net earnings for the quarter ended March 31, 2004, were \$17.1 million or basic and diluted net earnings of \$0.05 per weighted average common share, compared to net earnings of \$17.7 million or basic and diluted net earnings of \$0.06 per weighted average common share for the same period in 2003.

On January 21, 2004, the Company signed a definitive agreement for the sale of its southern Vancouver Island public land operations, referred to as Tree Farm Licence 46 (TFL 46). The sale is scheduled to close in early May 2004. Sale proceeds on this transaction are expected to exceed the carrying value of the assets being disposed of and will be included in distributable cash.

On March 2, 2004, the Company completed and received a renewal of short-term financing from a Canadian bank. The renewed financing consists of an unsecured demand bank guarantee facility in the amount of \$16.0 million and an unsecured 364-day committed revolving facility in the amount of \$40.0 million that is due on March 1, 2005. Under the 364-day facility, funds are available to the Company in both Canadian and US dollars by way of adjusted prime rate based loans, Canadian dollar bankers' acceptances and letters of credit or guarantee.

## Summary of Results

In millions of dollars, except as otherwise indicated

<i>Unaudited</i>	Three Months Ended	
	2004	2003
Net sales	\$ 101.6	\$ 126.6
Operating earnings	\$ 28.0	\$ 30.5
Net earnings	\$ 17.1	\$ 17.7
Earnings available for distribution before provision for future income taxes	\$ 23.6	\$ 26.3
Distributable cash	\$ 27.7	\$ 25.7
Proceeds from sale of real estate	\$ 0.9	\$ 2.6
Proceeds from sale of other property, plant and equipment	\$ 0.5	\$ 0.5
Additions to property, plant and equipment	\$ 0.5	\$ 7.5
Distributions paid	\$ 20.5	\$ 20.5

<sup>1</sup> Distributable cash, earnings available for distribution and EBITDA are measures that do not have a standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures presented by other companies. Management believes that the presentation of these measures will enhance an investor's understanding of the Company's operating performance. A reconciliation between net earnings as determined in accordance with GAAP and these measures is provided in the supplementary information below.

# TIMBERWEST FOREST CORP.

## Summary of Results (continued)

In millions of dollars, except as otherwise indicated

	Three Months Ended March 31	
<i>Unaudited</i>	2004	2003
\$ per weighted average Stapled Unit: (unless otherwise noted)		
Basic earnings available for distribution before provision for future income tax expense	\$ 0.31	\$ 0.35
Diluted earnings available for distribution before provision for future income tax expense	\$ 0.31	\$ 0.34
Basic and diluted distributable cash	\$ 0.36	\$ 0.34
Distributions paid	\$ 0.27	\$ 0.27
Basic and diluted earnings per common share	\$ 0.05	\$ 0.06

## Outlook

For the balance of the year, the Company is optimistic about pricing in log and lumber markets and expects its cost reduction initiatives to remain on track.

In Japan economic reports indicate that housing starts are improving slightly and that log and lumber inventories are low. With the yen strengthening relative to the Canadian dollar, offsetting part of the ocean freight increases, pricing in this market should remain stable in the near term.

In the US, economic reports indicate that demand for housing is expected to remain strong through the balance of 2004. This demand coupled with lower lumber inventories has meant that lumber prices have strengthened recently. While log prices in this market have improved it is not expected that prices will increase further.

Strong domestic demand for logs is expected to continue in the near term reflecting improvements in the Japanese and US lumber markets. Strength is also appearing in the Company's emerging markets, particularly South Korea where the demand for hemlock has been strong.

On the cost side the Company expects to continue with improvements to its productivity through the balance of the year. At time of writing, the industry on the Coast is waiting for the binding arbitration award to be delivered by the Commissioner. This award could have a substantial effect on the viability and competitiveness of the Coastal industry.

All conditions for closing the sale of TFL 46 have been removed and the transaction is scheduled to close in early May 2004. Sale proceeds on this transaction are expected to exceed the carrying value of the assets being disposed of.

Management is continuing to monitor the effect of ocean freight rates, the volume of old growth hemlock and fir coming into the market as a result of stumpage reductions and the on-going softwood lumber dispute with the US. Of course, the weather is always a factor in our business and concerns about another hot, dry summer are emerging. Were we to have conditions similar to last summer, we would expect curtailments on our logging operations.

In summary, the Company continues to anticipate that it will generate sufficient distributable cash to fund its distributions in 2004, without relying on the proceeds of the sale of TFL 46 to do so.

# TIMBERWEST FOREST CORP.

## Supplemental Information

(in millions of dollars, except as otherwise indicated)

Three months ended  
March 31

<i>Unaudited</i>	2004	2003
<b>Operations</b>		
Net sales	\$ 101.6	\$ 126.6
Operating costs and expenses:		
Cost of products sold	67.2	89.7
Depreciation, depletion and amortization	2.9	2.6
Selling, administrative and other	3.5	3.8
	73.6	96.1
Operating earnings	28.8	30.5
Interest expense	4.1	4.0
Amortization of deferred financing costs	0.3	0.4
Other income	(0.2)	(0.4)
Earnings before income taxes	23.8	26.5
Income tax expense	6.7	8.8
Net earnings	\$ 17.1	\$ 17.7
Distributable cash		
Net earnings (loss)	\$ 17.1	\$ 17.7
Income tax benefit related to distributions	7.3	7.7
Earnings available for distribution	24.4	25.4
Future income tax expense (recovery)	(0.8)	0.9
Earnings available for distribution before provision for future income tax expense (recovery)	23.6	26.3
Add (deduct):		
Depreciation, depletion and amortization	3.2	3.0
Proceeds from sale of property, plant and equipment	1.4	3.1
Gain on sale of property, plant and equipment	(0.5)	(1.0)
Additions to property, plant and equipment	(0.5)	(7.5)
Other non-cash items	0.5	1.8
	4.1	(0.6)
Distributable cash	\$ 27.7	\$ 25.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)		
Net earnings	\$ 17.1	\$ 17.7
Add: Interest expense	4.1	4.0
Income tax expense	6.7	8.8
Depreciation, depletion and amortization	2.9	2.6
Amortization of deferred financing costs	0.3	0.4
EBITDA	\$ 31.1	\$ 33.5
Cash generated from operations before changes in non-cash working capital		
	\$ 27.0	\$ 28.3
Cash generated from operations after changes in non-cash working capital		
	\$ 24.8	\$ 22.4
Sales by Product		
Logs		
Domestic	\$ 45.8	\$ 53.9
Export – Asia	23.3	36.3
Export – US	10.2	13.6
Total log sales	79.3	103.8
Lumber	17.6	16.6
Wood chips and other	3.8	3.6
Real estate	0.9	2.6
	\$ 101.6	\$ 126.6

# TIMBERWEST FOREST CORP.

## Supplemental Information (continued)

(in millions of dollars, except as otherwise indicated)

Unaudited

	Three months ended March 31	
	2004	2003
<b>Sales Volume</b>		
Logs (thousand m <sup>3</sup> )		
Domestic	501.1	566.3
Export – Asia	153.2	210.0
Export – US	98.7	143.1
Total log sales	753.0	919.4
Lumber (million fbm)	32.0	31.1
<b>Log Sales Mix (thousand m<sup>3</sup>)</b>		
Fir	482.0	496.3
Hembal	122.1	222.7
Cedar	84.3	118.5
Other	64.6	81.9
	753.0	919.4
<b>Production Volume</b>		
Logs (thousand m <sup>3</sup> )		
Public lands	314.4	306.5
Private timberlands	605.3	586.5
Total log production	919.7	893.0
Lumber (million fbm)	40.2	35.3
<b>Financial Position</b>		
	<b>As at</b>	<b>As at</b>
	<b>March 31, 2004</b>	<b>December 31, 2003</b>
Net working capital (excluding short-term borrowings and distribution payable)	\$ 42.8	\$ 40.6
Total assets	\$ 1,462.7	\$ 1,440.9
Total debt	\$ 248.0	\$ 255.0
Unitholders' equity	\$ 881.2	\$ 875.5
Total capitalization	\$ 1,129.2	\$ 1,130.5
Debt to total capitalization	22%	23%
Stapled Units outstanding (thousands)	76,396	76,246
Basic weighted average Stapled Units (thousands)	76,308	76,234
Diluted weighted average Stapled Units (thousands)	76,415	76,309

## Quarterly Conference Call

TimberWest will hold a conference call at 9:00am PST (12:00pm EST) on Friday, April 30, 2004, to discuss results of the first quarter. To access the conference call, listeners should dial 1-800-470-5906. For those unable to participate in the live call, a recording of the call will be available until May 14, 2004, and can be accessed at 1-800-558-5253 using code 21189837. The conference call will also be broadcast live over the internet via TimberWest's website home page at [www.timberwest.com](http://www.timberwest.com). The webcast will be archived and available for an additional 90 days.

## Corporate Profile

TimberWest Forest Corp. is uniquely positioned as the largest owner of private forest lands in western Canada. The Company's 334,000 hectares, providing a sustainable annual harvest of 2.3 million m<sup>3</sup> of logs, which can vary in the range of 2.1 million m<sup>3</sup> to 2.5 million m<sup>3</sup> under our SFI<sup>®</sup> certification, are located on Vancouver Island and predominantly support the growth of Douglas fir forests, a premium species used for structural purposes. Third party auditors have certified that the management of the Company's private forest land conforms to the objectives and performance measures of the American Forest and Paper Association's Sustainable Forestry Initiative (SFI<sup>®</sup>). TimberWest also owns annual Crown harvest rights of 1.3 million m<sup>3</sup> of logs and a lumbermill. In addition, approximately 6,000 hectares of the Company's private forest lands have been identified as having greater value as real estate properties and are progressively being made available for higher uses.

# TIMBERWEST FOREST CORP.

## 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, labour relations, weather conditions, forest fires and other natural phenomena and other risks and uncertainties described in TimberWest's public filings with securities regulatory authorities.

## Additional Information

TimberWest Stapled Units are listed on the Toronto Stock Exchange under the symbol "TWF.UN".

For further information please contact:

Bev Park  
Vice-President, Finance and  
Chief Financial Officer  
Telephone: (604) 654-4600  
Facsimile: (604) 654-4662  
Email: [invest@timberwest.com](mailto:invest@timberwest.com)

Media contact:

Virginia Aulin  
Vice-President, Public Affairs and  
Government Relations  
Telephone: (604) 654-4634