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**TimberWest Issues Fourth Quarter Update:  
Revenues and distributable cash will be below expectations**

Vancouver, BC – TimberWest Forest Corp. announced today that while the Company will make its regular quarterly cash distribution in January 2004 as announced in October, revenues and distributable cash generated for its fourth quarter ending December 31, 2003, will be below the Company's previous expectations.

“We indicated at the end of the third quarter that we were optimistic that, in the absence of a labour disruption, we could generate enough distributable cash, after normalizing capital expenditures, to meet our distribution requirements for the year,” said Paul McElligott, TimberWest President and CEO. “However, after nearly four weeks of labour disruption and revisions to our sales plan, it is clear that the Company will not be able to meet this expectation. In fact, we anticipate that this quarter will be worse than the third quarter of 2003.”

The previous projection for the quarter was based on a stronger sales and production plan than the Company now anticipates achieving. Log sales volumes are expected to be about 17 percent lower than anticipated for the quarter, and log sales realizations are expected to be off by approximately 10 percent. Sales volumes were negatively impacted by lower production volumes which meant the Company had less available to sell and by the Company holding back some sales volume in anticipation of better pricing in early 2004. The lower average log sales realizations are primarily the result of selling a higher than expected proportion of low value fibre, predominantly pulp, during the quarter. These factors will have the effect of leaving a higher value mix in inventory to close out the year.

While the Company was able to harvest 2.5 million m<sup>3</sup> from its private lands during the year, only about 50% of the AAC on public lands will be harvested. The current stumpage system, combined with a weak domestic market and strike-related curtailments, were all factors in this low harvest level. Cost of sales will therefore be higher than anticipated as well.

While distributable cash generated is expected to be below the Company's estimate for the quarter, cash flow from operations, after changes in working capital, is expected to be quite strong because considerable working capital will be turned into cash during the fourth quarter. As a result, TimberWest's debt levels are expected to be only modestly above opening debt levels for the year.

The Company supports the legislation passed by the Provincial Government on Tuesday, December 16, to end the strike in the coastal forest industry. The Company is particularly encouraged by the appointment of Donald Munroe as mediation-arbitration commissioner, and by his terms of reference. The Commissioner must 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 in the coastal forest industry and the interests of the employees and trade unions.

“Both sides recognize the need for some assistance in coming to a satisfactory resolution to this dispute,” said McElligott. “However, despite the back-to-work legislation, TimberWest will not resume full production until early in 2004 as a result of seasonal production curtailments, which normally occur at this time of year.”

At the end of the third quarter, the Company had also anticipated being able to announce more detail on the sale of TFL 46 by calendar year end. “We have been working hard on this transaction and now expect to be able to announce early in 2004 that we have entered into a definitive agreement with a purchaser,” said McElligott.

“TimberWest faces a very challenging environment in 2004, but there is reason for optimism as we expect to finish the year with a reduced cost structure,” said McElligott. “Our challenges come to us in the form of a stronger Canadian dollar, some uncertainty surrounding the labour arbitration process and continuing uncertainty on the softwood lumber file. Our optimism is driven by the prospect of a new labour contract by May that, combined with diligent cost reduction strategies, should result in additional cost savings. We also foresee a better domestic log market as local sawmills reduce costs and increase lumber shipments to the Japanese market.

“We will continue to focus on reducing costs and moving closer to our core business model through the sale of TFL 46. In a stable -to-improving-log-price environment, these are strategies that will increase cash flow,” McElligott added.

## **Other**

Distributable cash is a measure that does 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. Distributable cash includes consolidated earnings before income taxes less current income taxes plus depreciation, depletion and amortization, plus proceeds from the sale of capital assets net of their gain (loss) on sale, less maintenance capital expenditures and, from time to time, adjustments for other items deemed appropriate by the Board of Directors.

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.

## **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 2.1 million to 2.5 million m<sup>3</sup> of logs, are largely located on Vancouver Island and contain some of the best coniferous forest growing sites in the world. The American Forest & Paper Association has certified that the Company is committed to managing these private lands according to sustainable forestry standards under its Sustainable Forestry Initiative (SFI)<sup>SM</sup> Program. TimberWest also owns annual Crown harvest rights for 1.3 million m<sup>3</sup> of logs, a lumbermill, and about 6,000 hectares of properties that are progressively being made available for higher uses.

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