Management's Discussion and Analysis

Introduction and Interpretation

This discussion and analysis by West Fraser's management ("MD&A") of the Company's financial performance during the second quarter of 2018 should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes ("Financial Statements") included in this quarterly report and the 2017 annual MD&A included in the Company's 2017 Annual Report. Dollar amounts are expressed in Canadian currency, unless otherwise indicated.

The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") except as otherwise disclosed.

This MD&A contains historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results. The latter, which are forward-looking statements, are presented to provide reasonable guidance to the reader but their accuracy depends on a number of assumptions and are subject to various risks and uncertainties. Forward-looking statements are included under the headings "Recent Developments" (concerning the timeframe for transportation service providers to return to normal operations), "Discussion & Analysis of Non-Operational Items" (concerning adjustments to duty rates), "Business Outlook" (concerning our operations, markets and cash flows) and "Operating Activities" (concerning reduction of inventories and future tax payments). Actual outcomes and results of these statements will depend on a number of factors including those matters described under "Risks and Uncertainties" in the 2017 annual MD&A, and may differ materially from those anticipated or projected. Accordingly, readers should exercise caution in relying upon forward-looking statements and we undertake no obligation to publicly revise them to reflect subsequent events or circumstances except as required by applicable securities laws.

Throughout this MD&A reference is made to Adjusted EBITDA, Adjusted earnings, Adjusted basic earnings per share and net debt to total capital ratio (collectively "these measures"), calculated as shown under the heading "Non-IFRS Measures" in this report. We believe that, in addition to earnings, these measures are useful performance indicators. None of these measures is a generally accepted earnings measure under IFRS and none has a standardized meaning prescribed by IFRS. Investors are cautioned that these measures should not be considered as an alternative to earnings, earnings per share or cash flow, as determined in accordance with IFRS. As there is no standardized method of calculating any of these measures, our method of calculating each of them may differ from the methods used by other entities and, accordingly, our use of any of these measures may not be directly comparable to similarly titled measures used by other entities.

This MD&A uses the following terms that are defined in the Company's 2017 Annual Report: "SPF" (spruce-pine-fir lumber), "SYP" (southern yellow pine lumber), "MDF" (medium density fibreboard), "LVL" (laminated veneer lumber), "BCTMP" (bleached chemithermomechanical pulp) and "NBSK" (northern bleached softwood kraft pulp).

This MD&A includes references to benchmark prices over selected periods for products of the type produced by West Fraser. These benchmark prices are for one product, dimension or grade and do not necessarily reflect the prices obtained by West Fraser for those periods. This MD&A is dated July 19, 2018 and the information provided herein is provided as of such date unless otherwise indicated.

Recent Developments

Transportation Update

Transportation services improved in the second quarter of 2018 resulting in increased shipment volumes for most of our products compared to the previous quarter. Canadian lumber finished goods inventory continues to be above target levels and, subject to the continued availability of sufficient transportation services and barring other issues, we expect inventories to be in-line with target levels by the end of the year.

Summary Information
($ millions except otherwise indicated)

	Q2-18	Q1-18	YTD-18	Q2-17	YTD-17
Sales	**1,834**	1,364	3,198	1,322	2,511
Adjusted EBITDA	**593**	379	972	305	550
Export duties	**(68)**	(43)	(111)	(34)	(34)
Equity-based compensation	**(3)**	(5)	(8)	(5)	(16)
Amortization	**(58)**	(66)	(124)	(49)	(100)
Operating earnings	**464**	265	729	217	400
Finance expense	**(9)**	(9)	(18)	(8)	(15)
Other	**10**	9	19	(1)	(1)
Tax provision	**(119)**	(68)	(187)	(62)	(115)
Earnings	**346**	197	543	146	269
CAD$1.00 converted to US$ – average	**0.775**	0.790	0.783	0.744	0.749

Selected Quarterly Information
($ millions, except earnings per share ("EPS") amounts which are in $)

	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16
Sales	**1,834**	1,364	1,376	1,247	1,322	1,189	1,107	1,155
Earnings	**346**	197	207	120	146	123	79	107
Basic and diluted EPS	**4.52**	2.53	2.66	1.53	1.86	1.58	1.01	1.35

Discussion & Analysis of Non-Operational Items

Adjusted Earnings and Adjusted Basic Earnings Per Share
($millions except EPS amounts which are in $)

	Q2-18	Q1-18	YTD-18	Q2-17	YTD-17
Earnings	**346**	197	543	146	269
Adjustments:					
Export duties	**68**	43	111	34	34
Equity-based compensation	**3**	5	8	5	16
Exchange gain on long-term financing	**(2)**	(4)	(6)	(4)	(5)
Net tax effect on the above adjustments	**(18)**	(10)	(28)	(7)	(6)
Adjusted earnings	**397**	231	628	174	308
Adjusted basic EPS[1]	**5.19**	2.98	8.14	2.23	3.94

1. Adjusted basic EPS is calculated by dividing Adjusted earnings by the basic weighted average shares outstanding.

Export duties of $68 million were expensed in the quarter compared to $43 million in the previous quarter and $34 million in the second quarter of 2017. We believe that the U.S allegations related to subsidies and dumping are unwarranted and that the rates applied will be adjusted upon review. See "Softwood lumber dispute" under the heading "Recent Developments" and "Significant Management Judgments Affecting Financial Results" in the 2017 annual MD&A included in the Company's 2017 Annual Report for further information.

Our equity-based compensation includes our share purchase option, phantom share unit, and directors' deferred share unit plans (collectively, the "Plans"), all of which have been partially hedged by an equity derivative contract. The Plans and equity derivative contract are fair valued each quarter and the resulting expense or recovery is recorded over the vesting period. Our fair valuation models consider various factors with the most significant being the change in the market value of our shares from the beginning to the end of the relevant period. The expense or recovery does not necessarily represent the actual value which will ultimately be received by the holders of options and units.

Any change in the value of the Canadian dollar relative to the value of the U.S. dollar results in the revaluation of our U.S. dollar denominated assets and liabilities. The result of these revaluations is included in other income on our earnings statement. The table above lists the exchange gains recorded on long-term financing during the periods presented. Exchange gains or losses realized on working capital are identified under "Other Non-Operational Items" below.

Other Non-Operational Items

Other income includes an exchange gain on working capital of $5 million compared to $6 million in the previous quarter and an exchange loss of $4 million in the second quarter of 2017.

The results of the current quarter include a provision for income tax of $119 million compared to $68 million in the previous quarter and $62 million for the second quarter of 2017. The effective tax rate was 26% for the current and previous quarter compared to 30% in the second quarter of 2017. The 2018 effective tax rate is lower than 2017 primarily due to the U.S. federal income tax rate reduction from 34% to 21%. Note 10 to the Financial Statements provides a reconciliation of income taxes calculated at the British Columbia statutory rate to the income tax expense.

The funded position of our defined benefit pension plans and other retirement benefit plans is estimated at the end of each quarter. The funded position, as shown in Note 7 to the Financial Statements, is determined by subtracting the value of plan assets from the value of plan obligations. During the quarter, we recorded in other comprehensive earnings an after tax actuarial gain of $10 million compared to a loss of $3 million in the previous quarter and a loss of $44 million in the second quarter of 2017. The current quarter gain reflected an actual rate of return on assets being higher than the discount rate.

Discussion & Analysis by Product Segment

Lumber Segment

	Q2-18	Q1-18	YTD-18	Q2-17	YTD-17
SPF (MMfbm)					
Production	**1,012**	925	1,937	1,011	1,982
Shipments	**1,083**	737	1,820	971	1,876
SYP (MMfbm)					
Production	**746**	725	1,471	562	1,116
Shipments	**757**	687	1,444	558	1,073
Sales ($ millions)					
Lumber	**1,234**	829	2,063	839	1,561
Wood chips and other residuals	**123**	106	229	86	163
Logs and other	**24**	31	55	21	58
	1,381	966	2,347	946	1,782
Adjusted EBITDA ($ millions)	**467**	282	749	240	431
Export duties	**(66)**	(41)	(107)	(34)	(34)
Amortization ($ millions)	**(43)**	(52)	(95)	(35)	(74)
Operating earnings ($ millions)	**358**	189	547	171	323
Adjusted EBITDA margin (%)	**34**	29	32	25	24
Benchmark prices (per Mfbm)					
SPF #2 & Better 2x4[1] - US$	**598**	513	556	388	368
SPF #3 Utility[1] - US$	**459**	372	416	332	310
SYP #2 West 2x4[2] - US$	**574**	540	557	455	456
SPF #2 & Better 2x4 - CAD$[3]	**772**	649	711	522	491
SPF #3 Utility - CAD$[3]	**593**	470	532	447	414
SYP #2 West 2x4 - CAD$[3]	**741**	683	712	612	608

1. Source: Random Lengths –Net FOB mill.
2. Source: Random Lengths –Net FOB mill Westside.
3. Calculated by applying the average Canadian/U.S. dollar exchange rate for the period to the U.S. dollar benchmark price.

Our operating earnings for the current quarter and first half of the year were higher than the first quarter of 2018, the second quarter of 2017 and the first half of 2017, respectively. The most significant contributor to this improvement was higher lumber pricing. Also contributing to the second quarter and first half increase are higher chip prices and operating earnings from the six Gilman sawmills that were acquired on August 31, 2017.

The availability of Canadian transportation services improved in the quarter compared to the previous quarter resulting in increased shipment volumes and higher export duty expense. U.S. transportation also improved and production returned to normal levels after the previous quarter's weather-related production curtailments. The segment recognized $4 million of insurance claim proceeds during the quarter as final settlement for the 2017 temporary suspension of the 100 Mile House, Chasm and Williams Lake operations due to British Columbia forest fires.

Increased Canadian log costs partially offset improved lumber pricing compared to the second quarter and first half of 2017. The primary reason was increased market-based stumpage rates in British Columbia and Alberta, as well as higher prices for purchased logs in British Columbia.

Operating earnings on a year-to-date basis were negatively affected by more export duties being expensed in the current year as the first duty charge under the current softwood lumber dispute was effective April 28, 2017. U.S. production and shipments are higher primarily due to the additional production from the six Gilman sawmills.

Panels Segment

	Q2-18	Q1-18	YTD-18	Q2-17	YTD-17
Plywood (MMsf 3/8” basis)					
Production	**216**	208	424	215	424
Shipments	**232**	187	419	217	423
MDF (MMsf 3/4” basis)					
Production	**55**	56	111	47	80
Shipments	**59**	57	116	43	78
LVL (Mcf)					
Production	**600**	663	1,263	729	1,403
Shipments	**594**	582	1,176	657	1,322
Sales ($ millions)					
Finished products	**193**	148	341	143	265
Wood chips and other residuals	**6**	5	11	5	9
Logs and other	**2**	1	3	1	3
	201	154	355	149	277
Adjusted EBITDA ($ millions)	**56**	28	84	26	41
Amortization ($ millions)	**(4)**	(3)	(7)	(3)	(6)
Operating earnings ($ millions)	**52**	25	77	23	35
Adjusted EBITDA margin (%)	**26**	18	24	17	15
Benchmark price					
Plywood (per Msf 3/8” basis)[1] - CAD$	**630**	569	600	488	461

1. Source: Crow’s Market Report – Delivered Toronto.

Our panels segment is comprised of our plywood, MDF and LVL operations.

Operating earnings increased in the quarter compared to the previous quarter due primarily to improved plywood pricing and increased shipment volumes for all products. In addition, the segment recognized $3 million of insurance claim proceeds during the quarter as final settlement for the 2017 temporary suspension of the Williams Lake plywood operation due to British Columbia forest fires.

Operating earnings also increased in the current quarter and first half of 2018 compared to the same periods in 2017. Improved plywood and MDF prices were the primary reason for the increase but this was offset partially by increased log costs.

Pulp & Paper Segment

	Q2-18	Q1-18	YTD-18	Q2-17	YTD-17
BCTMP (Mtonnes)					
Production	**159**	165	324	166	335
Shipments	**169**	158	327	177	363
NBSK (Mtonnes)					
Production	**113**	126	239	120	259
Shipments	**123**	127	250	131	269
Newsprint (Mtonnes)					
Production	**30**	27	57	30	61
Shipments	**30**	28	58	29	60
Sales ($ millions)	**299**	284	583	260	513
Adjusted EBITDA ($ millions)	**68**	70	138	42	82
Export duties	**(2)**	(2)	(4)	-	-
Amortization ($ millions)	**(10)**	(11)	(21)	(10)	(19)
Operating earnings ($ millions)	**56**	57	113	32	63
Adjusted EBITDA margin (%)	**22**	25	24	16	16
Benchmark price (per tonne)					
NBSK U.S. – US$[1,3]	**1,310**	1,233	1,272	1,093	1,063
NBSK China – US$[2,3]	**910**	910	910	670	658
Newsprint - US$[4]	**695**	642	668	575	575
NBSK U.S. - CAD$[5]	**1,691**	1,559	1,626	1,470	1,418
NBSK China – CAD$[5]	**1,175**	1,151	1,163	901	878
Newsprint - CAD$[5]	**897**	812	854	773	767

1. Source: Resource Information Systems, Inc. – U.S. list price delivered U.S.
2. Source: Resource Information Systems, Inc. – China list price delivered China.
3. The differences between the U.S. and China NBSK list prices are largely attributable to the customary sales practice of applying material discounts from the U.S. list price for North American sales compared to relatively small discounts from the China list price for sales into China.
4. Source: Resource Information Systems, Inc. – delivered 48.8 gram newsprint.
5. Calculated by applying the average Canadian/U.S. dollar exchange rate for the period to the U.S. dollar benchmark price.

The pulp & paper segment is comprised of our NBSK, BCTMP and newsprint businesses.

Operating earnings were comparable to the previous quarter as increased pulp prices were offset by several operating challenges, principally at our NBSK mills. At our Hinton NBSK mill, we experienced a series of unexpected operational issues resulting in unscheduled downtime and reduced production. In addition, we conducted a scheduled minor maintenance shutdown at our Cariboo NBSK mill. The remediation of the issues at Hinton NBSK mill and the shutdown at Cariboo NBSK mill both resulted in increased maintenance costs as well as reduced production of approximately 27,000 tonnes of NBSK during the quarter. Our BCTMP mills were required to take some curtailments early in the quarter related to the lack of sufficient pulp transportation services.

Operating earnings increased in the quarter compared to the second quarter of 2017, due primarily to improved product prices. NBSK maintenance costs were higher in the current quarter despite Cariboo pulp mill's major shutdown in the second quarter of 2017 as operational issues at our Hinton NBSK mill resulted in higher volumes of lost production. Increased chip costs also negatively impacted current operating earnings compared to the second quarter of 2017. The combination of these factors partially offset the benefit of the increased pulp and newsprint prices.

Operating earnings also increased in the first half of the year compared to the same period in the previous year reflecting improved pulp and newsprint prices offset by higher chip costs and maintenance costs.

Business Outlook

Markets

Our lumber segment's most important market is the U.S., particularly residential construction and repair and remodelling. U.S. housing starts in the first half of 2018 were up 7.1% and Canadian housing starts were up 3.6% from the prior year. Repair and renovation spending has also been supported by economic growth in the U.S. Steady demand is anticipated from China and Japan for Canadian softwood lumber. We believe this economic backdrop supports the fundamentals for growth in lumber demand.

The major component of our panels segment is plywood which is sold mainly in Canada. Although demand for Canadian plywood has been strong over the past several years, various governments across Canada have taken steps to attempt to moderate housing markets which could dampen plywood demand. MDF and LVL demand is heavily influenced by North American new home construction and we are expecting continuing improvement in U.S. residential construction which should help maintain demand for these products.

We are anticipating that pulp markets will generally be flat to slightly weaker as the market adjusts to new production coming on line. Pulp demand will be heavily influenced by the pace of Chinese economic activity.

Operations

We expect an increase in overall lumber production of approximately 700 MMfbm compared to 2017 reflecting the acquisition of the six Gilman sawmills in the U.S. South on August 31, 2017, the impact of prior year capital projects and recovery of production lost due to curtailments during the 2017 wildfires in British Columbia. Anticipated production gains assume adequate demand and normal access to logs and transportation resources. The reduction of excess finished lumber inventory accumulated during the first quarter is expected to continue into the fourth quarter provided there continues to be available sufficient transportation services and no other issues are encountered. We expect continuing log cost escalation in the B.C. interior as the availability of commercially viable mountain pine beetle killed timber reaches an end and we transition into green logs. The loss of timber from fires in 2017 also negatively affected overall log supply. In the near term, we expect to continue to see limited log cost inflation in the U.S. South.

We expect continuing strong plywood pricing and demand in the near term. However, as two of our plywood operations are in the B.C. interior, we expect log costs for those operations to continue to increase in 2018.

We do not have a major maintenance shutdown scheduled at either of our NBSK mills for the balance of 2018. Improving reliability at these mills continues to be a key focus for us, particularly at our Hinton NBSK mill.

Cash Flows

We are anticipating levels of cash flows, taking into account duties on Canadian softwood lumber exports to the U.S., to support between $300 and $350 million of capital spending in 2018 as well as to continue to support dividend payments. We have paid a dividend in every quarter since we became a public company in 1986. We expect to maintain our investment grade rating and intend to preserve sufficient liquidity to be able to take advantage of strategic growth opportunities that may arise. We are authorized under our normal course issuer bid ("NCIB"), which expires in September of 2018, to purchase up to 10% of the public float of Common shares and we will continue to consider share purchases with excess cash if we are satisfied that this will enhance shareholder value.

Capital Structure and Liquidity

Our capital structure consists of Common share equity and long-term debt. Our operating facilities include a $500 million committed revolving credit facility, a $33 million (US$25 million) demand line of credit dedicated to our U.S. operations and an $8 million demand line of credit dedicated to our jointly-owned newsprint operation. In addition, we have demand lines of credit totalling $70 million dedicated to letters of credit of which US$15 million is committed to our U.S. operations. These facilities are available to meet our funding requirements.

On June 30, 2018, there were no funds drawn under our credit facilities. Letters of credit in the amount of $49 million were supported by our credit facilities, leaving $562 million of credit available for further use.

Our outstanding Common share equity consists of 72,315,763 Common shares and 2,281,478 Class B Common shares for a total of 74,597,241 shares issued and outstanding as at July 18, 2018.

We have the NCIB in effect which allows us to acquire up to 5,990,454 Common shares for cancellation until the expiry of the bid on September 18, 2018. On June 11, 2018, the Toronto Stock Exchange approved a 2,196,079 increase in the number of Common shares available to be repurchased by the Company. Purchases under this bid were: (1) 85,094 Common shares at an average price per share of $68.52 for the period of September 19 to December 31, 2017; (2) 2,878,450 Common shares at an average price per share of $88.94 for the period of January 1 to June 30, 2018; and (3) 829,836 Common shares at an average price per share of $92.55 for the period July 1 to 18, 2018.

Each Class B Common share may be, at any time, exchanged for one Common share. The rights attached to the Common shares and Class B Common shares are equal in all other respects, including the right to dividends and the right to vote. The Common shares are listed and traded on the Toronto Stock Exchange under the symbol WFT while our Class B Common shares are not. Certain circumstances or corporate transactions may require the approval of the holders of our Common shares and Class B Common shares on a separate class by class basis.

As of July 18, 2018, there were 1,323,953 share purchase options outstanding with exercise prices ranging from $12.36 to $85.40 per Common share.

Our cash requirements, other than for operating purposes, are primarily for interest payments, repayment of debt, additions to property, plant, equipment and timber, acquisitions and payment of dividends. In normal business cycles and in years without a major acquisition or debt repayment, cash on hand and cash provided by operations have normally been sufficient to meet these requirements.

Summary of Financial Position

($ millions, except as otherwise indicated)

	Q2-18	Q4-17	Q2-17
Cash[1]	**302**	258	231
Current assets	**1,537**	1,291	1,221
Current liabilities	**604**	583	463
Ratio of current assets to current liabilities	**2.5**	2.2	2.6
Net debt[2]	**364**	376	166
Shareholders' equity	**3,034**	2,726	2,445
Net debt to total capital[3]	**11%**	12%	6%

1. Cash consists of cash and short-term investments.
2. Total debt less deferred financing costs less cash plus cheques issued in excess of funds on deposit.
3. Non-IFRS measure. See "Non-IFRS Measures" in this MD&A.

Debt Ratings

We are rated by three leading rating agencies and their ratings as of June 30, 2018 are shown in the table below. All three ratings are considered investment grade. On July 10, 2018, Dominion Bond Rating Service changed our outlook from stable to positive.

Agency	**Rating**	**Outlook**
Dominion Bond Rating Service	BBB(low)	Stable
Moody's	Baa3	Stable
Standard & Poor's	BBB-	Stable

These ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agencies.

Selected Cash Flow Items
($ millions - cash provided by (used in))

	Q2-18	Q1-18	YTD-18	Q2-17	YTD-17
Operating Activities					
Earnings	**346**	197	543	146	269
Amortization	**58**	66	124	49	100
Contributions to benefit plans, net of expense	**(2)**	(9)	(11)	2	7
Tax payments, net of expense	**41**	(64)	(23)	46	63
Change in inventories	**185**	(228)	(43)	158	(6)
Change in receivables	**(64)**	(58)	(122)	12	(85)
Other	**(9)**	39	30	(27)	4
	555	(57)	498	386	352
Financing Activities					
Debt and operating loans	**(83)**	83	-	(110)	-
Finance expense paid	**(12)**	(3)	(15)	(10)	(11)
Common share repurchases	**(210)**	(46)	(256)	-	-
Dividends	**(11)**	(12)	(23)	(6)	(11)
	(316)	22	(294)	(126)	(22)
Investing Activities					
Additions to capital assets	**(69)**	(104)	(173)	(78)	(134)
Other	**2**	2	4	3	4
	(67)	(102)	(169)	(75)	(130)
Increase (decrease) in cash	**172**	(137)	35	185	200

Operating Activities

Cash used in operating activities during the first quarter of each year generally increases due to the seasonal requirement to build log inventory in Canada during the winter. We must build enough log inventory to sustain lumber and plywood production during the second quarter when logging is curtailed due to wet land conditions. We also faced transportation issues in the first quarter, resulting in an inventory build for most of our finished products inventory. Our log inventory followed the normal second quarter inventory reduction cycle and transportation improved resulting in a reduction in both log and finished goods inventory during the quarter. Receivables increased during the quarter primarily due to the increase in finished goods shipments and increased product pricing.

We made tax payments of $78 million during the quarter compared to $132 million in the previous quarter. The first quarter instalment was largely due to a final instalment in respect of 2017 earnings. 2018 income tax instalments for our Canadian operations will be based on our 2017 taxable earnings which may result in a large payment due in February of 2019, as 2018 taxable earnings are on pace to be significantly higher than 2017. U.S. income tax instalments are due quarterly based on forecasted taxable earnings.

Financing Activities

Our Canadian operations repaid the operating loan during the quarter due to improved earnings and a reduction of inventory from the previous quarter. We also returned an additional $221 million to our shareholders for a year-to-date total of $279 million through our Common share repurchases under our NCIB and dividend payments.

Investing Activities

Additions to capital assets in the current quarter include $134 million for the lumber segment, $6 million for the panels segment, $28 million for the pulp & paper segment and $5 million for our corporate segment.

Non-IFRS Measures

The following summarizes the Non-IFRS Measures we use in this MD&A. None of these measures is a generally accepted measure under IFRS and none has a standardized meaning prescribed by IFRS. Investors are cautioned that none of these measures should be considered as an alternative to earnings, earnings per share or cash flow, as determined in accordance with IFRS. As there is no standardized method of calculating any of these measures, our method of calculating each of them may differ from the methods used by other entities and, accordingly, our use of any of these measures may not be directly comparable to similarly titled measures used by other entities.

Adjusted EBITDA
($ millions)

	Q2-18	Q1-18	YTD-18	Q2-17	YTD-17
Earnings	**346**	197	543	146	269
Add:					
Amortization	**58**	66	124	49	100
Finance expense	**9**	9	18	8	15
Tax provision	**119**	68	187	62	115
EBITDA	**532**	340	872	265	499
Add:					
Equity-based compensation	**3**	5	8	5	16
Export duty	**68**	43	111	34	34
Other	**(10)**	(9)	(19)	1	1
Adjusted EBITDA	**593**	379	972	305	550

Adjusted EBITDA by Segment
($ millions)

	Q2-18	Q1-18	YTD-18	Q2-17	YTD-17
Lumber					
Earnings before tax	**357**	186	543	166	314
Add:					
Amortization	**43**	52	95	35	74
Finance expense	**6**	6	12	5	9
EBITDA	**406**	244	650	206	397
Add:					
Export duties	**66**	41	107	34	34
Other	**(5)**	(3)	(8)	-	-
Adjusted EBITDA	**467**	282	749	240	431
Panels					
Earnings before tax	**52**	24	76	22	33
Add:					
Amortization	**4**	3	7	3	6
Finance expense	**-**	1	1	1	2
EBITDA	**56**	28	84	26	41
Add:					
Other	**-**	-	-	-	-
Adjusted EBITDA	**56**	28	84	26	41
Pulp & Paper					
Earnings before tax	**56**	58	114	27	57
Add:					
Amortization	**10**	11	21	10	19
Finance expense	**2**	2	4	2	4
EBITDA	**68**	71	139	39	80
Add:					
Export duties	**2**	2	4	-	-
Other	**(2)**	(3)	(5)	3	2
Adjusted EBITDA	**68**	70	138	42	82
Corporate and Other					
Earnings before tax	**-**	(3)	(3)	(7)	(20)
Add:					
Amortization	**1**	-	1	1	1
Finance expense	**1**	-	1	-	-
EBITDA	**2**	(3)	(1)	(6)	(19)
Add:					
Equity-based compensation	**3**	5	8	5	16
Other	**(3)**	(3)	(6)	(2)	(1)
Adjusted EBITDA	**2**	(1)	1	(3)	(4)
Total Adjusted EBITDA	**593**	379	972	305	550

Adjusted Earnings and Adjusted Basic Earnings Per Share
($ millions, except EPS)

	Q2-18	Q1-18	YTD-18	Q2-17	YTD-17
Earnings	**346**	197	543	146	269
Adjustments:					
Export duties	**68**	43	111	34	34
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Adjusted earnings	**397**	231	628	174	308
Adjusted basic EPS[1]	**5.19**	2.98	8.14	2.23	3.94

1. Adjusted basic EPS is calculated by dividing Adjusted earnings by the basic weighted average shares outstanding.

Net Debt to Total Capital Ratio
($ millions except where indicated)

	Q2-18	Q4-17	Q2-17
Net debt			
Cash and short-term investments	**(302)**	(258)	(231)
Deferred financing costs[1]	**(6)**	(7)	(6)
Long-term debt	**672**	641	403
	364	376	166
Shareholders' equity	**3,034**	2,726	2,445
Total capital	**3,398**	3,102	2,611
Net debt to total capital	**11%**	12%	6%

1. For our balance sheet presentation, these costs are applied to reduce the associated debt or, in instances when the operating loan is undrawn, these costs are included in other assets.

New Accounting Pronouncements Adopted

On January 1, 2018, we adopted IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments*. Neither of these standards had a significant effect on our consolidated financial statements. Please see Note 3 of our Financial Statements for additional information.

Significant Management Judgments Affecting Financial Results

For a review of significant management judgments affecting financial results and critical accounting estimates, see the 2017 annual MD&A which is included in our 2017 Annual Report.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Our management, including the Chief Executive Officer and the Vice-President, Finance and Chief Financial Officer, acknowledge responsibility for the design of disclosure controls and procedures and internal controls over financial reporting.

There has been no change in our internal controls over financial reporting during the three months ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Risks and Uncertainties

For a review of the risks and uncertainties to which our Company is subject, see the 2017 annual MD&A which is included in our 2017 Annual Report.

Additional Information

Additional information relating to our Company, including our Company's Annual Information Form, is available on SEDAR at www.sedar.com.