



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 first 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). 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 April 25, 2018 and the information provided herein is provided as of such date unless otherwise indicated.

Recent Developments

Transportation and Weather

In the first quarter, each of our operating segments was negatively impacted by shortages of both rail and trucking transportation services to move our finished products to our customers. As a result, we were not able to ship our full production and experienced delays in delivering customer orders. Finished inventories for most of our products increased and we stored additional inventory on our sites and at offsite temporary locations. It became necessary at certain points in the quarter to slow production at our BCTMP mills as a result of lack of transportation services and available storage facilities. The timeframe for our transportation service providers to return to normal operations is unclear at this time and we expect it may take well into the second half of 2018 to clear the accumulated backlog of inventory. We estimate that overall Adjusted EBITDA of our Canadian operations was negatively impacted by at least \$40 million due to our inability to ship our production.

Severe winter weather on the U.S. east coast also impacted our first quarter results as the conditions forced us to curtail production at some operations on a temporary basis. In Western Canada, some concentrated incidents of cold weather and higher than normal snowfalls in our operating areas temporarily slowed production and exacerbated an already difficult transportation situation.

Summary Information

(\$ millions except as otherwise indicated)

	Q1-18	Q4-17	Q1-17
Sales	1,364	1,376	1,189
Adjusted EBITDA	379	341	245
Export duties	(43)	17	-
Equity-based compensation	(5)	(6)	(11)
Amortization	(66)	(59)	(51)
Operating earnings	265	293	183
Finance expense	(9)	(8)	(7)
Other	9	10	-
Tax provision	(68)	(88)	(53)
Earnings	197	207	123
CAD\$1.00 converted to US\$ – average	0.790	0.787	0.756

Selected Quarterly Information

(\$ millions except earnings per share (“EPS”) amounts which are in \$)

	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16
Sales	1,364	1,376	1,247	1,322	1,189	1,107	1,155	1,111
Earnings	197	207	120	146	123	79	107	98
Basic EPS	2.53	2.66	1.53	1.86	1.58	1.01	1.35	1.22
Diluted EPS	2.53	2.66	1.53	1.86	1.58	1.01	1.35	0.86

Discussion & Analysis of Non-Operational Items

Adjusted Earnings and Adjusted Basic EPS

(\$ millions except EPS amounts which are in \$)

	Q1-18	Q4-17	Q1-17
Earnings	197	207	123
Add:			
Export duties	43	(17)	-
Equity-based compensation	5	6	11
Exchange gain on long-term financing	(4)	(1)	(1)
Insurance gain on disposal of equipment	-	(7)	-
Net tax effect on the above adjustments	(10)	7	1
Re-measurement of deferred income tax assets and liabilities	-	6	-
Adjusted earnings	231	201	134
Adjusted basic EPS ¹	2.98	2.58	1.71

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

Export duties of \$43 million were expensed in the quarter compared to a recovery of \$17 million in the previous quarter and nil in the first quarter of 2017. We believe that the U.S. allegations of subsidy 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 share purchase 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.

An insurance gain related to involuntary disposal of equipment was recorded in the fourth quarter of 2017 related to our jointly-owned NBSK plant in Quesnel.

U.S. tax reform and an increase in the province of British Columbia corporate tax rate from 11% to 12% were substantively enacted in the fourth quarter of 2017 resulting in a one-time increase to deferred income tax expense of \$6 million associated with the re-measurement of deferred income tax assets and liabilities.

Other Non-Operational Items

Other income includes an exchange gain on working capital of \$6 million compared to \$2 million in the previous quarter and an exchange loss of \$1 million in the first quarter of 2017.

The results of the current quarter include a provision for income tax of \$68 million compared to \$88 million in the previous quarter and \$53 million for the first quarter of 2017. The effective tax rate was 26% in the current quarter compared to 30% in the previous quarter and 30% in the first quarter of 2017. Note 10 to the Financial Statements provides a reconciliation of income taxes calculated at the 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 loss of \$3 million. The loss reflected an actual rate of return on assets being lower than the discount rate offset in part by the reduction of the estimated liability for the medical service plan costs in British Columbia.

Discussion & Analysis by Product Segment

Lumber Segment

	Q1-18	Q4-17	Q1-17
SPF (Mmfbm)			
Production	925	903	971
Shipments	737	904	905
SYP (Mmfbm)			
Production	725	707	554
Shipments	687	694	515
Sales (\$ millions)			
Lumber	829	876	722
Wood chips and other residuals	106	97	77
Logs and other	31	27	37
	966	1,000	836
Adjusted EBITDA (\$ millions)	282	258	191
Export duties (\$ millions)	(41)	17	-
Amortization (\$ millions)	(52)	(43)	(39)
Operating earnings (\$ millions)	189	232	152
Adjusted EBITDA margin (%)	29	26	23
Benchmark prices (per Mfbm)			
SPF #2 & Better 2x4 ¹ – US\$	513	462	348
SPF #3 Utility ¹ - US\$	372	346	288
SYP #2 West 2x4 ² – US\$	540	438	456
SPF #2 & Better 2x4 – CAD\$ ³	649	587	461
SPF #3 Utility - CAD\$ ³	470	440	381
SYP #2 West 2x4 – CAD\$ ³	683	557	604

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.

Operating earnings decreased compared to the previous quarter despite improved product pricing due primarily to higher export duties and lower shipment volumes as a result of the transportation issues as discussed under “Recent Developments” above.

Operating earnings were higher compared to the first quarter of 2017 as lumber prices were higher and as a result of the contribution from the six Gilman sawmills that were acquired on August 31, 2017. The increase was offset by lower SPF shipment volumes, a stronger Canadian dollar, export duties and higher Canadian log costs. The primary reason for the increase in Canadian log costs is due to higher stumpage rates and increased competition for purchased logs in British Columbia. SYP production and shipments were higher than the first quarter of 2017 primarily due to the additional production from the six Gilman sawmills.

Panels Segment

	Q1-18	Q4-17	Q1-17
Plywood (MMsf 3/8" basis)			
Production	208	209	209
Shipments	187	209	206
MDF (MMsf 3/4" basis)			
Production	56	55	33
Shipments	57	51	35
LVL (Mcf)			
Production	663	657	674
Shipments	582	626	665
Sales (\$ millions)			
Finished products	148	147	122
Wood chips and other residuals	5	4	4
Logs and other	1	4	2
	154	155	128
Adjusted EBITDA (\$ millions)	28	24	15
Amortization (\$ millions)	(3)	(4)	(3)
Operating earnings (\$ millions)	25	20	12
Adjusted EBITDA margin (%)	18	15	12
Benchmark prices			
Plywood (per Msf 3/8" basis) ¹ CAD\$	569	474	433

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. The impact of increased plywood prices was partially offset by lower plywood shipment volumes.

Operating earnings increased compared to the first quarter of 2017 due to increased plywood prices and higher MDF shipment volumes. This was partially offset by lower plywood and LVL shipment volumes and higher log costs. The first quarter of 2017 results were also negatively affected by our WestPine MDF plant which was in the start-up phase following the 2016 fire.

Pulp & Paper Segment

	Q1-18	Q4-17	Q1-17
BCTMP (Mtonnes)			
Production	165	171	169
Shipments	158	167	186
NBSK (Mtonnes)			
Production	126	122	139
Shipments	127	107	138
Newsprint (Mtonnes)			
Production	27	30	31
Shipments	28	31	31
Sales (\$ millions)	284	253	253
Adjusted EBITDA (\$ millions)	70	60	40
Export duties	(2)	-	-
Amortization (\$ millions)	(11)	(12)	(9)
Operating earnings (\$ millions)	57	48	31
Adjusted EBITDA margin (%)	25	24	16
Benchmark price (per tonne)			
NBSK U.S. – US\$ ^{1,3}	1,233	1,183	1,033
NBSK China – US\$ ^{2,3}	910	863	645
Newsprint – US\$ ⁴	642	610	575
NBSK U.S. – CAD\$ ⁵	1,559	1,503	1,367
NBSK China – CAD\$ ⁵	1,151	1,097	854
Newsprint – CAD\$ ⁵	812	775	761

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 increased in the quarter compared to the previous quarter due primarily to increased pulp and newsprint prices. This was partially offset by increased fibre, natural gas and power costs, and lower than anticipated shipment volumes due to transportation delays as discussed above. Our Cariboo NBSK mill ran well as did our BCTMP mills, however, BCTMP markets were not as strong as NBSK. Our Hinton pulp mill experienced reliability issues in the current quarter but had higher production volumes than the fourth quarter of 2017 as the mill was coming out of a major shutdown in October of 2017. Nevertheless, the performance at Hinton remains below our expectations.

Operating earnings increased in the quarter compared to the first quarter of 2017 due to improved pulp and newsprint prices. This was partially offset by higher fibre and power costs and increased maintenance costs at our Hinton Pulp mill due to reliability issues in the current quarter. First quarter of 2017 BCTMP shipment volumes were higher than production as a result of some BCTMP shipments being carried over from fourth quarter 2016 due timing of vessel sailings.

During the quarter, the Department of Commerce and International Trade Commission completed a preliminary investigation and assigned our jointly-owned newsprint mill a CVD rate of 6.53% and an ADD rate of 22.16%. This resulted in an expense of \$2 million in the quarter.

Business Outlook

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 US 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 availability of logs and transportation services. In the first quarter, results were adversely affected by transportation service disruptions resulting in a substantial increase in finished good inventory levels. We are uncertain when the backlog of shipments will be cleared and we will likely incur additional storage, freight and other distribution costs. We expect continuing log cost escalation in the B.C. interior as mountain pine beetle killed timber reaches the end of commercial viability and the loss of timber from fires in 2017 both negatively affect overall log supply. We expect log cost inflation in the US South to be limited.

Our panels segment continues to see attractive levels of plywood pricing and our order files remain robust. Operations at our WestPine MDF plant have returned to normal levels. Two of our plywood operations are in the B.C. interior, and we expect log costs for those operations to continue to increase in 2018.

We will not have a major maintenance shut down at either of our NBSK mills in 2018 which should contribute to increased production versus the prior year. Improved reliability at our NBSK mills continues to be a key focus area.

Markets

Our lumber segment's most important market is the U.S, particularly residential construction and repair and remodeling. In 2017, CVD and ADD were imposed on Canadian producers and we were required to make deposits in respect of these duties. In the first quarter of 2018, our jointly-owned newsprint operation became subject to CVD and ADD. Whether and to what extent duties can be passed along to consumers will largely depend on the strength of demand for softwood lumber and newsprint. Softwood lumber, which is significantly influenced by the levels of new residential construction in the U.S., has been gradually improving over the past several years while newsprint demand has been on the decline. We are anticipating continued slow improvement in U.S. new residential construction and steady demand from China and Japan for Canadian softwood lumber, but it is currently very difficult to predict how and to what extent duties will affect lumber prices and the cost structure of our Canadian lumber business over the long term.

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.

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 approximately 5% of our outstanding 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 \$32 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 \$59 million dedicated to letters of credits of which US\$7 million is committed to our U.S. operations. These facilities are available to meet our funding requirements.

On March 31, 2018, \$83 million was outstanding under our revolving credit facility. Letters of credit in the amount of \$47 million were supported by our facilities, leaving \$469 million of credit available for further use.

The outstanding Common share equity consists of 75,042,954 Common shares and 2,281,478. Class B Common shares for a total of 77,324,432 shares issued and outstanding as at April 25, 2018.

We have the NCIB in effect which allows us to acquire up to 3,794,375 Common shares for cancellation until the expiry of the bid on September 18, 2018. 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) 534,089 Common shares at an average price per share of \$86.22 for the period of January 1 to March 31, 2018; and (3) 90,100 Common shares at an average price per share of \$87.32 for the period April 1 to 25, 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 April 25, 2018 there were 1,426,892 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, pension funding 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)

	Q1-18	Q4-17	Q1-17
Cash ¹	125	258	86
Current assets	1,468	1,291	1,240
Current liabilities	624	583	612
Ratio of current assets to current liabilities	2.4	2.2	2.0
Net debt ²	610	376	467
Shareholders' equity	2,881	2,726	2,365
Net debt to total capital ³	17%	12%	16%

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".

Debt Ratings

As shown in the table below, we are rated by three leading rating agencies. All three ratings are considered investment grade.

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))

	Q1-18	Q4-17	Q1-17
Operating Activities			
Earnings	197	207	123
Amortization	66	59	51
Contributions to benefit plans, net of expense	(9)	4	5
Tax payments, net of expense	(64)	74	17
Change in inventories	(228)	(83)	(164)
Other	(19)	(7)	(66)
	(57)	254	(34)
Financing Activities			
Debt and operating loans	83	-	110
Financing expense paid	(3)	(11)	(1)
Common share repurchases	(46)	-	-
Dividends and other	(12)	(7)	(5)
	22	(18)	104
Investing Activities			
Additions to capital assets	(104)	(112)	(56)
Other	2	2	1
	(102)	(110)	(55)
Increase (decrease) in cash	(137)	126	15

Operating Activities

Cash used in operating activities during the first quarter of each year generally increases as logging activity in Canada increases during the winter season and log inventories are built to sustain production activities during the second quarter. We also faced transportation issues this quarter, resulting in an inventory build for most of our finished inventory. Log inventory is expected to be reduced in the second quarter as logging is curtailed and the log inventory is consumed in operations but the increased finished goods inventory may take significant time to normalize.

During the first quarter of 2018, we made income tax payments of \$132 million, largely on account of 2017 earnings (Q4-17 - \$14 million and Q1-17 - \$36 million), and contributions to post-retirement benefit plans of \$29 million (Q4-17 \$21 million and Q1-17 \$14 million).

Financing Activities

Our Canadian operations drew on our operating loan during the quarter primarily to cover the current quarter inventory build. We also returned \$58 million to our shareholders through the Common share repurchases under our NCIB and dividends payment.

Investing Activities

Cash flows used for investing activities in the quarter amounted to \$102 million. Additions to capital assets totalled \$104 million and represented \$81 million for the lumber segment, \$3 million for the panels segment, \$17 million for the pulp & paper segment and \$3 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)

	Q1-18	Q4-17	Q1-17
Earnings	197	207	123
Add:			
Amortization	66	59	51
Finance expense	9	8	7
Tax provision	68	88	53
EBITDA	340	362	234
Add:			
Equity-based compensation	5	6	11
Export duties	43	(17)	-
Other	(9)	(10)	-
Adjusted EBITDA	379	341	245

Adjusted EBITDA by Segment

(\$ millions)

	Q1-18	Q4-17	Q1-17
Lumber			
Earnings before tax	186	228	148
Add:			
Amortization	52	43	39
Finance expense	6	6	4
EBITDA	244	277	191
Add:			
Export duties	41	(17)	-
Other	(3)	(2)	-
Adjusted EBITDA	282	258	191
Panels			
Earnings before tax	24	20	11
Add:			
Amortization	3	4	3
Finance expense	1	-	1
EBITDA	28	24	15
Add:			
Other	-	-	-
Adjusted EBITDA	28	24	15
Pulp & Paper			
Earnings before tax	58	53	30
Add:			
Amortization	11	12	9
Finance expense	2	2	2
EBITDA	71	67	41
Add:			
Export duties	2	-	-
Other	(3)	(7)	(1)
Adjusted EBITDA	70	60	40
Corporate and Other			
Earnings before tax	(3)	(6)	(13)
Add:			
Amortization	-	-	-
EBITDA	(3)	(6)	(13)
Add:			
Equity-based compensation	5	6	11
Other	(3)	(1)	1
Adjusted EBITDA	(1)	(1)	(1)
Total Adjusted EBITDA	379	341	245

Adjusted Earnings and Adjusted Basic Earnings per Share

(\$ millions except EPS amounts which are in \$)

	Q1-18	Q4-17	Q1-17
Earnings	197	207	123
Add:			
Export duties	43	(17)	-
Equity-based compensation	5	6	11
Exchange gain on long-term financing	(4)	(1)	(1)
Insurance gain on disposal of equipment	-	(7)	-
Net tax effect on the above adjustments	(10)	7	1
Re-measurement of deferred income tax assets and liabilities	-	6	-
Adjusted earnings	231	201	134
Adjusted basic EPS ¹	2.98	2.58	1.71

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)

	Q1-18	Q4-17	Q1-17
Net debt			
Cash and short-term investments	(125)	(258)	(86)
Deferred financing costs ¹	(7)	(7)	(6)
Cheques issued in excess of funds on deposit	-	-	36
Operating loans	83	-	110
Long-term debt	659	641	413
	610	376	467
Shareholders' equity	2,881	2,726	2,365
Total capital	3,491	3,102	2,832
Net debt to total capital	17%	12%	16%

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 2 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 March 31, 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 our company website at www.westfraser.com and SEDAR at www.sedar.com.