



**West Fraser Timber Co. Ltd.**

Condensed Consolidated Balance Sheets

(in millions of Canadian dollars, except where indicated - unaudited)

	March 31	December 31
	2018	2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term investments	\$ 125	\$ 258
Receivables	417	352
Inventories (note 4)	902	670
Prepaid expenses	24	11
	<b>1,468</b>	1,291
<b>Property, plant and equipment</b>	<b>1,936</b>	1,892
<b>Timber licences</b>	<b>528</b>	533
<b>Goodwill and other intangibles</b>	<b>744</b>	731
<b>Export duty deposits</b>	<b>42</b>	37
<b>Other assets</b>	<b>30</b>	27
<b>Deferred income tax assets</b>	<b>2</b>	6
	<b>\$ 4,750</b>	<b>\$ 4,517</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating loans (note 5)	\$ 81	\$ -
Payables and accrued liabilities	475	441
Income taxes payable	30	104
Reforestation and decommissioning obligations	38	38
	<b>624</b>	583
<b>Long-term debt</b>	<b>654</b>	636
<b>Other liabilities</b> (note 6)	<b>361</b>	347
<b>Deferred income tax liabilities</b>	<b>230</b>	225
	<b>1,869</b>	1,791
<b>Shareholders' Equity</b>		
Share capital	545	549
Accumulated other comprehensive earnings	127	108
Retained earnings	2,209	2,069
	<b>2,881</b>	2,726
	<b>\$ 4,750</b>	<b>\$ 4,517</b>

Number of Common shares and Class B Common shares outstanding at April 25, 2018 was 77,324,432.



**West Fraser Timber Co. Ltd.**

Condensed Consolidated Statements of Changes in Shareholders' Equity  
(in millions of Canadian dollars, except where indicated - unaudited)

	January 1 to March 31	
	2018	2017
<b>Share capital</b>		
Balance - beginning of period	\$ 549	\$ 549
Common share repurchases	(4)	-
Balance - end of period	\$ 545	\$ 549
<b>Accumulated other comprehensive earnings</b>		
Balance - beginning of period	\$ 108	\$ 150
Translation gain (loss) on foreign operations	19	(5)
Balance - end of period	\$ 127	\$ 145
<b>Retained earnings</b>		
Balance - beginning of period	\$ 2,069	\$ 1,542
Actuarial gain (loss) on post-retirement benefits	(3)	11
Common share repurchases	(42)	-
Earnings for the period	197	123
Dividends	(12)	(5)
Balance - end of period	\$ 2,209	\$ 1,671
<b>Shareholders' Equity</b>	<b>\$ 2,881</b>	<b>\$ 2,365</b>



**West Fraser Timber Co. Ltd.**

Condensed Consolidated Statements of Earnings and Comprehensive Earnings  
(in millions of Canadian dollars, except where indicated - unaudited)

	January 1 to March 31	
	<b>2018</b>	2017
<b>Sales</b>	<b>\$ 1,364</b>	<b>\$ 1,189</b>
<b>Costs and expenses</b>		
Cost of products sold	778	740
Freight and other distribution costs	152	155
Export duties	43	-
Amortization	66	51
Selling, general and administration	55	49
Equity-based compensation	5	11
	<b>1,099</b>	<b>1,006</b>
<b>Operating earnings</b>	<b>265</b>	<b>183</b>
Finance expense	(9)	(7)
Other (note 9)	9	-
<b>Earnings before tax</b>	<b>265</b>	<b>176</b>
Tax provision (note 10)	(68)	(53)
<b>Earnings</b>	<b>\$ 197</b>	<b>\$ 123</b>
<b>Earnings per share (dollars) (note 11)</b>		
Basic and diluted	<b>\$ 2.53</b>	<b>\$ 1.58</b>
<b>Comprehensive earnings</b>		
Earnings	\$ 197	\$ 123
<b>Other comprehensive earnings</b>		
Translation gain (loss) on foreign operations	19	(5)
Actuarial gain (loss) on post-retirement benefits	(3)	11
<b>Comprehensive earnings</b>	<b>\$ 213</b>	<b>\$ 129</b>



**West Fraser Timber Co. Ltd.**

Condensed Consolidated Statements of Cash Flows

(in millions of Canadian dollars, except where indicated - unaudited)

	January 1 to March 31	
	2018	2017
<b>Cash used for operations</b>		
Earnings	\$ 197	\$ 123
Adjustments		
Amortization	66	51
Finance expense	9	7
Foreign exchange gain on long-term financing	(4)	(1)
Export duty deposits	(5)	-
Post-retirement expense	20	19
Contributions to post-retirement benefit plans	(29)	(14)
Tax provision	68	53
Income taxes paid	(132)	(36)
Other	14	21
Changes in non-cash working capital		
Receivables	(58)	(97)
Inventories	(228)	(164)
Prepaid expenses	(13)	(7)
Payables and accrued liabilities	38	11
	<b>(57)</b>	<b>(34)</b>
<b>Cash provided by financing</b>		
Proceeds from operating loans	83	110
Finance expense paid	(3)	(1)
Dividends	(12)	(5)
Common share repurchases	(46)	-
	<b>22</b>	<b>104</b>
<b>Cash used for investing</b>		
Additions to capital assets	(104)	(56)
Other	2	1
	<b>(102)</b>	<b>(55)</b>
<b>Change in cash</b>	<b>(137)</b>	<b>15</b>
<b>Foreign exchange effect on cash</b>	<b>4</b>	<b>-</b>
<b>Cash - beginning of period</b>	<b>258</b>	<b>35</b>
<b>Cash - end of period</b>	<b>\$ 125</b>	<b>\$ 50</b>
<b>Cash consists of</b>		
Cash and short-term investments	\$ 125	\$ 86
Cheques issued in excess of funds on deposit	-	(36)
	<b>\$ 125</b>	<b>\$ 50</b>

**West Fraser Timber Co. Ltd.**

Notes to Condensed Consolidated Interim Financial Statements  
(figures are in millions of dollars, except where indicated - unaudited)

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**1. Nature of operations**

West Fraser Timber Co. Ltd. (“West Fraser”, “we”, “us” or “our”) is a diversified wood products company producing lumber, LVL, MDF, plywood, pulp, newsprint, wood chips and energy with facilities in western Canada and the southern United States. Our executive office is located at 858 Beatty Street, Suite 501, Vancouver, British Columbia. West Fraser was formed by articles of amalgamation under the *Business Corporations Act* (British Columbia) and is registered in British Columbia, Canada. Our Common shares are listed for trading on the Toronto Stock Exchange under the symbol WFT.

**2. Basis of presentation and statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board and using the same accounting policies and methods of their application as the December 31, 2017 annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with our 2017 annual consolidated financial statements.

We have reclassified certain prior-year amounts to conform to current-year’s presentation.

**3. Changes in accounting standards**

*IFRS 9 - Financial Instruments*

We have adopted IFRS 9 effective January 1, 2018 using the full retrospective method. The new standard for financial instruments, IFRS 9, replaces IAS 39 ‘Financial Instruments: Recognition and Measurement’. It makes changes to the previous guidance on the classification and measurement of financial assets and introduces an ‘expected credit loss’ model for the impairment of financial assets. IFRS 9 also contains new requirements on the application of hedge accounting.

The adoption of this standard had no significant impact on our consolidated financial statements and no retrospective adjustments were necessary.

*IFRS 15 - Revenue from Contracts with Customers*

We have adopted IFRS 15 effective January 1, 2018 using the full retrospective method. The new revenue standard, IFRS 15, replaces IAS 18 - Revenue, IAS 11 - Construction Contracts and the related interpretations. This standard addresses revenue recognition and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. IFRS 15 requires that revenue is recognised at the ‘transaction price’ when certain contractual obligations are met but with any ‘variable consideration’ elements of the price recognised when it is ‘highly probable’ that there will be no reversal of that revenue.

The adoption of this standard had no significant impact on our consolidated financial statements and no retrospective adjustments were necessary.

**4. Inventories**

Inventories at March 31, 2018 were written down by \$7 million (December 31, 2017 - \$9 million; March 31, 2017 - \$5 million) to reflect net realizable value being lower than cost.

5. **Long-term debt and operating loans**

**Long-term debt**

	March 31, 2018		December 31, 2017
US\$300 million senior notes due October 2024; interest at 4.35%	\$ 387	\$	376
US\$200 million term loan due August 2022; floating interest rate	258		251
US\$8 million note payable due October 2020; interest at 2%	10		10
Notes payable	4		4
	<b>659</b>		<b>641</b>
Deferred financing costs	(5)		(5)
	<b>\$ 654</b>	<b>\$</b>	<b>636</b>

The fair value of the long-term debt at March 31, 2018 was \$653 million (December 31, 2017 - \$634 million) based on rates available to us at the balance sheet date for long-term debt with similar terms and remaining maturities.

**Operating loans**

Our revolving lines of credit consist of a \$500 million committed revolving credit facility which matures August 25, 2022, 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 credit, of which US\$7 million is dedicated to our U.S. operations.

At March 31, 2018, our revolving credit facility was drawn by \$81 million (net of deferred financing costs of \$2 million). Letters of credit in the amount of \$47 million were also supported by our facilities, leaving \$469 million of credit available for further use. At December 31, 2017 there were no amounts outstanding under our revolving credit facility, as a result, the associated deferred financing costs of \$2 million was reported in other assets and our outstanding letters of credit were \$47 million.

Interest on the facilities is payable at floating rates based on Prime, Base Rate Advances, Bankers' Acceptances or LIBOR Advances at our option.

All debt is unsecured except the \$8 million joint operation demand line of credit, which is secured by that joint operation's current assets.

6. **Other liabilities**

	March 31, 2018		December 31, 2017
Post-retirement (note 7)	\$ 233	\$	231
Reforestation	84		70
Decommissioning	25		25
Other	19		21
	<b>\$ 361</b>	<b>\$</b>	<b>347</b>

7. **Post-retirement benefits**

We maintain defined benefit and defined contribution pension plans covering a majority of our employees. The defined benefit plans generally do not require employee contributions and provide a guaranteed level of pension payable for life based either on length of service or on earnings and length of service, and in most cases do not increase after commencement of retirement. We also provide group life insurance, medical and extended health benefits to certain employee groups.

During the quarter, we settled approximately \$145 million of our defined benefit obligation by purchasing annuities using plan assets.

The status of the defined benefit pension plans and other retirement benefit plans, in aggregate, is as follows:

	<b>March 31, 2018</b>	December 31, 2017
Projected benefit obligations	\$ (1,734)	\$ (1,864)
Fair value of plan assets	1,525	1,658
Impact of minimum funding requirement	(8)	(12)
	<b>\$ (217)</b>	<b>\$ (218)</b>
<b>Represented by</b>		
Post-retirement assets	\$ 16	\$ 13
Post-retirement liabilities (note 6)	(233)	(231)
	<b>\$ (217)</b>	<b>\$ (218)</b>

The significant actuarial assumptions used to determine our balance sheet date post-retirement assets and liabilities are as follows:

	<b>March 31, 2018</b>	December 31, 2017
Discount rate	<b>3.50%</b>	3.50%
Future compensation rate increase	<b>3.50%</b>	3.50%

For the three months ended March 31, 2018, we recognized in other comprehensive earnings a \$4 million loss (before tax) to reflect the changes in the valuation of the post-retirement benefit plans. The loss reflects the estimated return on plan assets being lower than the expected return offset in part by the reduction of the estimated liability for the medical service plan costs in British Columbia.

The actuarial gain (loss) on post-retirement benefits, included in other comprehensive earnings, is as follows:

	January 1 to March 31	
	<b>2018</b>	2017
Actuarial gain (loss)	\$ (4)	\$ 15
Tax recovery (provision) on actuarial gain (loss)	1	(4)
	<b>\$ (3)</b>	<b>\$ 11</b>

## 8. Share Capital

During the quarter, we repurchased 534,089 Common shares under our normal course issuer bid at an average price of \$86.22 per share for a cost of approximately \$46 million.

9. **Other**

	January 1 to March 31	
	2018	2017
Foreign exchange gain (loss) on working capital	\$ 6	\$ (1)
Foreign exchange gain (loss) on intercompany financing <sup>1</sup>	21	(3)
Foreign exchange gain (loss) on long-term debt	(17)	4
Other	(1)	-
	\$ 9	\$ -

1. Relates to US\$600 million (Q1-17 US\$200 million) of financing provided to our U.S. operations. IAS 21 requires that the exchange gain or loss be recognized through earnings as the financing is not considered part of our permanent investment in our U.S. subsidiaries. The balance sheet amounts and related financing expense are eliminated in these consolidated financial statements.

10. **Tax provision**

The tax provision differs from the amount that would have resulted from applying the British Columbia statutory income tax rate to earnings before tax as follows:

	January 1 to March 31	
	2018	2017
Income tax at statutory rate of 27% (2017 - 26%)	\$ (71)	\$ (46)
Non-taxable amounts	(2)	(3)
Rate differentials between jurisdictions and on specified activities	4	(5)
Other	1	1
Tax provision	\$ (68)	\$ (53)

11. **Earnings per share**

Basic earnings per share is calculated based on earnings available to Common shareholders, as set out below, using the weighted average number of Common shares and Class B Common shares outstanding.

Diluted earnings per share is calculated based on earnings available to Common shareholders adjusted to remove the actual share option expense (recovery) charged to earnings and after deducting a notional charge for share option expense assuming the use of the equity-settled method, as set out below. The diluted weighted average number of shares is calculated using the treasury stock method. When earnings available to Common shareholders for diluted earnings per share are greater than earnings available to Common shareholders for basic earnings per share, the calculation is anti-dilutive and diluted earnings per share are deemed to be the same as basic earnings per share.

	January 1 to March 31	
	2018	2017
<b>Earnings</b>		
Basic	\$ 197	\$ 123
Share option expense	11	16
Equity-settled share option adjustment	(3)	(2)
Diluted	\$ 205	\$ 137
<b>Weighted average number of shares (thousands)</b>		
Basic	77,825	78,164
Share options	764	841
Diluted	78,589	79,005
<b>Earnings per share (dollars)</b>		
Basic and diluted	\$ 2.53	\$ 1.58

12. **Segmented information**

	Lumber	Panels	Pulp & paper	Corporate & other	Total
<b>January 1, 2018 to March 31, 2018</b>					
Sales					
To external customers	\$ 929	\$ 151	\$ 284	\$ -	\$ 1,364
To other segments	37	3	-	-	-
	\$ 966	\$ 154	\$ 284	\$ -	
Operating earnings before amortization	\$ 241	\$ 28	\$ 68	\$ (6)	\$ 331
Amortization	(52)	(3)	(11)	-	(66)
Operating earnings	189	25	57	(6)	265
Finance expense	(6)	(1)	(2)	-	(9)
Other	3	-	3	3	9
Earnings before tax	\$ 186	\$ 24	\$ 58	\$ (3)	\$ 265
<b>January 1, 2017 to March 31, 2017</b>					
Sales					
To external customers	\$ 810	\$ 126	\$ 253	\$ -	\$ 1,189
To other segments	26	2	-	-	-
	\$ 836	\$ 128	\$ 253	\$ -	
Operating earnings before amortization	\$ 191	\$ 15	\$ 40	\$ (12)	\$ 234
Amortization	(39)	(3)	(9)	-	(51)
Operating earnings	152	12	31	(12)	183
Finance expense	(4)	(1)	(2)	-	(7)
Other	-	-	1	(1)	-
Earnings before tax	\$ 148	\$ 11	\$ 30	\$ (13)	\$ 176

The geographic distribution of external sales is as follows:

	January 1 to March 31 <sup>1</sup>	
	2018	2017
Canada	\$ 286	\$ 254
United States	802	675
China	155	148
Other Asia	109	101
Other	12	11
	\$ 1,364	\$ 1,189

1. Sales distribution is based on the location of product delivery.

### 13. Countervailing (“CVD”) and antidumping (“ADD”) duty dispute

In November 2016, a coalition of U.S. lumber producers filed a CVD/ADD petition against Canadian softwood lumber producers who import lumber into the United States. The petition alleged that Canadian lumber producers are subsidized. CVD and ADD duties have been imposed against Canadian softwood lumber imports beginning in 2017. See Note 26 “Softwood lumber dispute” of our 2017 annual consolidated financial statements included in the Company’s 2017 Annual Report for additional information.

During the first quarter of 2018 we incurred duty deposits of \$34 million related to CVD and \$11 million related to ADD. We continue to recalculate the ADD rate for the current period of review using our reported results and the same calculation methodology as the U.S. Department of Commerce (“USDOC”). Based on our current data, we determined that the expected ADD rate will be substantially lower than the current ADD deposit rate and as such, we have recorded a long-term duty deposit receivable related to ADD for the difference.

During the quarter, the USDOC and U.S. 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 for our pulp & paper segment.

The duty rates are subject to change based on administrative reviews and appeals available to us. Notwithstanding the deposit rates assigned under the investigations, our final liability for the assessment of CVD and ADD will not be determined until each annual administrative review process is complete and related appeal processes are concluded.

	March 31, 2018	December 31, 2017
Export duty deposits receivable - lumber	\$ 42	\$ 37

	January 1 to March 31	
	2018	2017
Export duties expense – lumber	\$ 41	\$ -
Export duties expense – pulp & paper	2	-
	\$ 43	\$ -