

**West Fraser Timber Co. Ltd.**

Condensed Consolidated Balance Sheets

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

	June 30	December 31
	2019	2018
Assets		
Current assets		
Cash and short-term investments	\$ 16	\$ 160
Receivables	348	332
Income taxes receivable	130	48
Inventories (note 5)	722	791
Prepaid expenses	30	14
	1,246	1,345
Property, plant and equipment	2,097	2,056
Timber licences	503	513
Goodwill and other intangibles	741	767
Export duty deposits (note 15)	78	75
Other assets	31	32
Deferred income tax assets	3	3
	\$ 4,699	\$ 4,791
Liabilities		
Current liabilities		
Cheques issued in excess of funds on deposit	\$ 36	\$ 13
Operating loans (note 6)	246	61
Payables and accrued liabilities	411	448
Income taxes payable	-	34
Reforestation and decommissioning obligations	40	39
	733	595
Long-term debt (note 6)	664	692
Other liabilities (note 7)	437	316
Deferred income tax liabilities	244	292
	2,078	1,895
Shareholders' Equity		
Share capital	483	491
Accumulated other comprehensive earnings	137	170
Retained earnings	2,001	2,235
	2,621	2,896
	\$ 4,699	\$ 4,791

Number of Common shares and Class B Common shares outstanding at July 18, 2019 was 68,655,539.



West Fraser Timber Co. Ltd.

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

	April 1 to June 30		January 1 to June 30	
	2019	2018	2019	2018
Share capital				
Balance - beginning of period	\$ 487	\$ 545	\$ 491	\$ 549
Issuance of Common shares	-	-	1	-
Repurchase of Common shares	(4)	(17)	(9)	(21)
Balance - end of period	\$ 483	\$ 528	\$ 483	\$ 528
Accumulated other comprehensive earnings				
Balance - beginning of period	\$ 153	\$ 127	\$ 170	\$ 108
Translation gain (loss) on foreign operations	(16)	18	(33)	37
Balance - end of period	\$ 137	\$ 145	\$ 137	\$ 145
Retained earnings				
Balance - beginning of period	\$ 2,135	\$ 2,209	\$ 2,235	\$ 2,069
Actuarial gain (loss) on post-retirement benefits	(36)	10	(72)	7
Repurchase of Common shares	(27)	(193)	(72)	(235)
Earnings for the period	(58)	346	(63)	543
Dividends	(13)	(11)	(27)	(23)
Balance - end of period	\$ 2,001	\$ 2,361	\$ 2,001	\$ 2,361
Shareholders' Equity	\$ 2,621	\$ 3,034	\$ 2,621	\$ 3,034



West Fraser Timber Co. Ltd.

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

	April 1 to June 30		January 1 to June 30	
	2019	2018	2019	2018
Sales	\$ 1,317	\$ 1,834	\$ 2,558	\$ 3,198
Costs and expenses				
Cost of products sold	1,013	979	1,916	1,757
Freight and other distribution costs	196	205	366	357
Export duties (note 15)	51	68	83	111
Amortization	63	58	128	124
Selling, general and administration	52	57	110	112
Equity-based compensation	-	3	3	8
Restructuring and impairment charges (note 10)	26	-	26	-
	1,401	1,370	2,632	2,469
Operating earnings	(84)	464	(74)	729
Finance expense	(13)	(9)	(24)	(18)
Other (note 11)	(6)	10	(11)	19
Earnings before tax	(103)	465	(109)	730
Tax recovery (provision) (note 12)	45	(119)	46	(187)
Earnings	\$ (58)	\$ 346	\$ (63)	\$ 543
Earnings per share (dollars) (note 13)				
Basic	\$ (0.85)	\$ 4.52	\$ (0.92)	\$ 7.03
Diluted	\$ (0.92)	\$ 4.52	\$ (1.04)	\$ 7.03
Comprehensive earnings				
Earnings	\$ (58)	\$ 346	\$ (63)	\$ 543
Other comprehensive earnings				
Translation gain (loss) on foreign operations	(16)	18	(33)	37
Actuarial gain (loss) on post-retirement benefits (note 8)	(36)	10	(72)	7
Comprehensive earnings	\$ (110)	\$ 374	\$ (168)	\$ 587



West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Cash Flows

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

Cash provided by (used in)	April 1 to June 30		January 1 to June 30	
	2019	2018	2019	2018
Operating activities				
Earnings	\$ (58)	\$ 346	\$ (63)	\$ 543
Adjustments				
Amortization	63	58	128	124
Restructuring and impairment charges	26	-	26	-
Finance expense	13	9	24	18
Foreign exchange loss (gain) on long-term financing	2	(2)	3	(6)
Foreign exchange loss (gain) on export duty deposits	1	(1)	3	(2)
Export duty deposits	1	(13)	(4)	(17)
Post-retirement expense	20	20	41	40
Contributions to post-retirement benefit plans	(21)	(22)	(38)	(51)
Tax provision (recovery)	(45)	119	(46)	187
Income taxes paid	(18)	(78)	(95)	(210)
Other	(7)	(7)	12	7
Changes in non-cash working capital				
Receivables	26	(64)	(23)	(122)
Inventories	240	185	60	(43)
Prepaid expenses	(12)	(7)	(16)	(20)
Payables and accrued liabilities	(44)	12	(53)	50
	187	555	(41)	498
Financing activities				
Proceeds from (repayment of) operating loans	(81)	(83)	185	-
Finance expense paid	(16)	(12)	(21)	(15)
Repurchase of Common shares	(31)	(210)	(81)	(256)
Dividends and other	(15)	(11)	(29)	(23)
	(143)	(316)	54	(294)
Investing activities				
Additions to capital assets	(82)	(69)	(190)	(173)
Government assistance	5	-	5	-
Proceeds from disposal of capital assets	7	1	7	1
Other	1	1	1	3
	(69)	(67)	(177)	(169)
Change in cash	(25)	172	(164)	35
Foreign exchange effect on cash	1	5	(3)	9
Cash - beginning of period	4	125	147	258
Cash - end of period	\$ (20)	\$ 302	\$ (20)	\$ 302
Cash consists of				
Cash and short-term investments			\$ 16	\$ 302
Cheques issued in excess of funds on deposit			(36)	-
			\$ (20)	\$ 302

West Fraser Timber Co. Ltd.

Notes to Condensed Consolidated Interim Financial Statements

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

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, other residuals 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 use the same accounting policies and methods of their application as the December 31, 2018 annual audited consolidated financial statements. These condensed consolidated interim financial statements should be read in conjunction with our 2018 annual audited consolidated financial statements.

3. Changes in accounting standards

IFRS 16 – Leases

We have adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach, accordingly the information presented for 2018 has not been restated. The new standard replaces IAS 17 - *Leases* and the related interpretations. IFRS 16 provides a single lessee accounting model and requires lessees to recognize assets and liabilities for all major leases.

On initial application, we elected to record right-of-use assets equal to the corresponding present value of the remaining lease liability. Right-of-use assets and lease obligations of \$14 million were recorded as of January 1, 2019 for leases related to some of our office spaces and mobile equipment.

During the six months ended June 30, 2019, we recorded a \$2 million amortization expense on the right-of-use assets and we made a \$2 million payment on the lease obligations.

4. Seasonality of operations

Our operating results are subject to seasonal fluctuations that impact quarter-to-quarter operating results. Log availability has a direct impact on our operations. We build up log inventory in Canada during the winter to sustain our lumber and plywood production during the second quarter when logging is curtailed due to wet land conditions. Extreme weather conditions, wildfires in Western Canada and hurricanes in the U.S. South may periodically affect operations including logging, manufacturing and transportation. Consequently, interim operating results may not proportionately reflect operating results for a full year.

5. Inventories

Inventories at June 30, 2019 were written down by \$47 million (March 31, 2019 - \$30 million; December 31, 2018 - \$30 million; June 30, 2018 - \$1 million) to reflect net realizable value being lower than cost.

	June 30, 2019		December 31, 2018	
Manufactured products	\$	348	\$	421
Logs and other raw materials		216		218
Processing materials and supplies		158		152
	\$	722	\$	791

6. Operating loans and long-term debt

Operating loans

Our revolving lines of credit consist of a \$500 million committed revolving credit facility which matures August 25, 2022, a \$100 million uncommitted operating credit facility and a \$33 million (US\$25 million) demand line of credit dedicated to our U.S. operations. We also have an \$8 million demand line of credit dedicated to our jointly-owned newsprint operation. In addition, we have demand lines of credit totalling \$90 million dedicated to letters of credit, of which US\$15 million is dedicated to our U.S. operations.

At June 30, 2019, \$246 million (net of deferred financing costs of \$2 million) was drawn under our revolving credit facility. Letters of credit in the amount of \$61 million were also supported by our facilities.

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.

Long-term debt

	June 30, 2019		December 31, 2018	
US\$300 million senior notes due October 2024; interest at 4.35%	\$	393	\$	409
US\$200 million term loan due August 2022; floating interest rate		262		273
US\$8 million note payable due October 2020; interest at 2%		10		10
Notes payable		3		4
		668		696
Deferred financing costs		(4)		(4)
	\$	664	\$	692

On March 15, 2019, we entered into a US\$100 million floating to fixed interest rate swap agreement. The agreement is accounted for as a derivative. The gains or losses related to changes in the fair value are included in other income on our consolidated statements of earnings. For the six months ended June 30, 2019, a \$3 million loss associated with the agreement was recorded in other income.

The fair value of the long-term debt at June 30, 2019 was \$679 million (December 31, 2018 - \$689 million) based on rates available to us at the balance sheet date for long-term debt with similar terms and remaining maturities.

7. **Other liabilities**

	June 30, 2019		December 31, 2018	
Post-retirement (note 8)	\$	286	\$	189
Reforestation		82		76
Decommissioning (note 10)		32		29
Lease (note 3)		10		-
Other		27		22
	\$	437	\$	316

8. **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.

On June 17, 2019, we announced our intention to permanently close our Chasm, British Columbia lumber mill. This resulted in the curtailment of the defined benefit pension plan for the Chasm hourly employees. Included in restructuring and impairment charges is a \$4 million curtailment gain related to the reduction in the post-retirement obligation.

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

	June 30, 2019		December 31, 2018	
Projected benefit obligations	\$	(1,595)	\$	(1,381)
Fair value of plan assets		1,321		1,204
	\$	(274)	\$	(177)
Represented by				
Post-retirement assets	\$	12	\$	12
Post-retirement liabilities (note 7)		(286)		(189)
	\$	(274)	\$	(177)

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

	June 30, 2019	March 31, 2019	December 31, 2018
Discount rate	3.00%	3.25%	3.75%
Future compensation rate increase	3.50%	3.50%	3.50%

For the six months ended June 30, 2019, we recognized in other comprehensive earnings a \$95 million loss (before tax) to reflect the changes in the valuation of the post-retirement benefit plans. The loss reflects the decrease in the discount rate used to calculate plan liabilities from the beginning of the year, partially offset by the return on plan assets.

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

	April 1 to June 30		January 1 to June 30	
	2019	2018	2019	2018
Actuarial gain (loss)	\$ (46)	\$ 14	\$ (95)	\$ 10
Tax recovery (provision)	10	(4)	23	(3)
	\$ (36)	\$ 10	\$ (72)	\$ 7

9. **Share Capital**

During the six months ended June 30, 2019, we repurchased 1,178,400 Common shares under our normal course issuer bid at an average price of \$68.30 per share for a cost of approximately \$81 million.

10. **Restructuring and impairment charges**

On June 17, 2019, we announced the permanent closure of our Chasm, British Columbia lumber mill. The closure is expected to be completed in the third quarter of 2019. We recognized preliminary charges of \$26 million for the estimated restructuring and impairment costs as follows:

	June 30, 2019
Severance	\$ 9
Lease obligation and other commitments	3
Decommissioning obligation	2
Restructuring charges	\$ 14
Asset impairment	16
Curtailment gain on post-retirement obligation	(4)
Total restructuring and impairment charges	\$ 26

11. **Other**

	April 1 to June 30		January 1 to June 30	
	2019	2018	2019	2018
Foreign exchange gain (loss) on working capital	\$ (2)	\$ 4	\$ (5)	\$ 9
Foreign exchange gain (loss) on intercompany financing ¹	(16)	16	(31)	37
Foreign exchange gain (loss) on long-term debt	14	(14)	28	(31)
Foreign exchange gain (loss) on export duty deposits receivable	(1)	1	(3)	2
Other	(1)	3	-	2
	\$ (6)	\$ 10	\$ 11	\$ 19

1. Relates to US\$550 million (2018 - US\$600 million from January to mid - December and US\$550 million thereafter) 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.

12. 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:

	April 1 to June 30		January 1 to June 30	
	2019	2018	2019	2018
Income tax recovery (expense) at statutory rate of 27%	\$ 28	\$ (126)	\$ 30	\$ (197)
Non-taxable amounts	1	(2)	1	(4)
Rate differentials between jurisdictions and on specified activities	(1)	8	(2)	12
Decrease in Alberta provincial tax rate ¹	17	-	17	-
Other	-	1	-	2
Tax recovery (provision)	\$ 45	\$ (119)	\$ 46	\$ (187)

1. Effective May 28, 2019, the government of Alberta enacted a change in the provincial tax rate from 12% to 8% over the next four years. This new tax rate increased our tax recovery by \$17 million in the quarter.

13. 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.

	April 1 to June 30		January 1 to June 30	
	2019	2018	2019	2018
Earnings				
Basic	\$ (58)	\$ 346	\$ (63)	\$ 543
Share option expense (recovery)	(5)	6	(6)	17
Equity-settled share option adjustment	-	-	(3)	(3)
Diluted	\$ (63)	\$ 352	\$ (72)	\$ 557

Weighted average number of shares (thousands)

Basic	68,779	76,555	69,106	77,190
Share options	314	724	350	745
Diluted	69,093	77,279	69,456	77,935

Earnings per share (dollars)

Basic	\$ (0.85)	\$ 4.52	\$ (0.92)	\$ 7.03
Diluted	\$ (0.92)	\$ 4.52	\$ (1.04)	\$ 7.03

14. **Segmented information**

	Lumber	Panels	Pulp & paper	Corporate & other	Total
April 1, 2019 to June 30, 2019					
Sales					
To external customers	\$ 919	\$ 156	\$ 242	\$ -	\$ 1,317
To other segments	33	3	-	-	-
	\$ 952	\$ 159	\$ 242	\$ -	
Operating earnings before amortization, restructuring and impairment charges					
	\$ (12)	\$ 10	\$ 7	\$ -	\$ 5
Amortization	(48)	(3)	(11)	(1)	(63)
Restructuring and impairment charges	(26)	-	-	-	(26)
Operating earnings	(86)	7	(4)	(1)	(84)
Finance expense	(9)	(2)	(2)	-	(13)
Other	(3)	-	-	(3)	(6)
Earnings before tax	\$ (98)	\$ 5	\$ (6)	\$ (4)	\$ (103)
April 1, 2018 to June 30, 2018					
Sales					
To external customers	\$ 1,337	\$ 198	\$ 299	\$ -	\$ 1,834
To other segments	44	3	-	-	-
	\$ 1,381	\$ 201	\$ 299	\$ -	
Operating earnings before amortization					
	\$ 401	\$ 56	\$ 66	\$ (1)	\$ 522
Amortization	(43)	(4)	(10)	(1)	(58)
Operating earnings	358	52	56	(2)	464
Finance expense	(6)	-	(2)	(1)	(9)
Other	5	-	2	3	10
Earnings before tax	\$ 357	\$ 52	\$ 56	\$ -	\$ 465

	Lumber	Panels	Pulp & paper	Corporate & other	Total
January 1, 2019 to June 30, 2019					
Sales					
To external customers	\$ 1,740	\$ 308	\$ 510	\$ -	\$ 2,558
To other segments	69	6	-	-	-
	<u>\$ 1,809</u>	<u>\$ 314</u>	<u>\$ 510</u>	<u>\$ -</u>	
Operating earnings before amortization, restructuring and impairment charges					
Amortization	\$ 40	\$ 25	\$ 18	\$ (3)	\$ 80
Restructuring and impairment charges	(98)	(7)	(21)	(2)	(128)
Operating earnings	(26)	-	-	-	(26)
Finance expense	(84)	18	(3)	(5)	(74)
Other	(16)	(3)	(5)	-	(24)
	(6)	-	-	(5)	(11)
Earnings before tax	<u>\$ (106)</u>	<u>\$ 15</u>	<u>\$ (8)</u>	<u>\$ (10)</u>	<u>\$ (109)</u>
January 1, 2018 to June 30, 2018					
Sales					
To external customers	\$ 2,266	\$ 349	\$ 583	\$ -	\$ 3,198
To other segments	81	6	-	-	-
	<u>\$ 2,347</u>	<u>\$ 355</u>	<u>\$ 583</u>	<u>\$ -</u>	
Operating earnings before amortization					
Amortization	\$ 642	\$ 84	\$ 134	\$ (7)	\$ 853
Operating earnings	(95)	(7)	(21)	(1)	(124)
Finance expense	547	77	113	(8)	729
Other	(12)	(1)	(4)	(1)	(18)
	8	-	5	6	19
Earnings before tax	<u>\$ 543</u>	<u>\$ 76</u>	<u>\$ 114</u>	<u>\$ (3)</u>	<u>\$ 730</u>

The geographic distribution of external sales is as follows¹:

	April 1 to June 30		January 1 to June 30	
	2019	2018	2019	2018
Canada	\$ 270	\$ 379	\$ 531	\$ 665
United States	785	1,131	1,486	1,933
China	173	183	342	338
Other Asia	78	130	176	239
Other	11	11	23	23
	<u>\$ 1,317</u>	<u>\$ 1,834</u>	<u>\$ 2,558</u>	<u>\$ 3,198</u>

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

15. 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 27 “Countervailing (“CVD”) and antidumping (“ADD”) duty dispute” of our 2018 annual audited consolidated financial statements.

During the six months ended June 30, 2019, our lumber segment posted cash deposits for CVD at a 17.99% rate and for ADD at a 5.57% rate. Starting January 1, 2019, we moved into a new period of review that ends December 31, 2019. Our estimate of the ADD rate for the 2019 review period, using our actual sales and cost data

and the same calculation methodology as the USDOC is 4.20%, which is lower than the ADD deposit rate of 5.57% but higher than the first quarter rate of 2.03%. The estimated 2019 ADD rate will continue to change over the remainder of the 2019 review period.

For the lumber segment, during the six months ended June 30, 2019 we incurred duty deposits of \$67 million related to CVD (June 30, 2018 - \$93 million) and \$20 million related to ADD (June 30, 2018 - \$30 million) which were recorded as follows:

	April 1 to June 30		January 1 to June 30	
	2019	2018	2019	2018
Export duties recognized as expense in consolidated statements of earnings	\$ 51	\$ 66	\$ 83	\$ 107
Export duties recognized as export duty deposits receivable in consolidated balance sheets	(1)	12	4	16
Total	\$ 50	\$ 78	\$ 87	\$ 123

Export duty deposits receivable included on our consolidated balance sheets is as follows:

	June 30, 2019	December 31, 2018
Beginning balance	\$ 75	\$ 37
Export duties recognized as export duty deposits receivable in consolidated balance sheets	4	31
Interest recognized on the export duty deposits receivable	2	2
Foreign exchange gain (loss) on the export duty deposits	(3)	5
Ending balance	\$ 78	\$ 75

As at June 30, 2019, export duties paid and payable on deposit with the USDOC are US\$229 million for CVD and US\$83 million for ADD for a total of US\$312 million.

The duty rates are subject to change based on administrative reviews and appeals available to us. In addition, we will update our ADD rate at each reporting date considering our actual results for each period of review. Changes to estimated rates may be material and any changes will be reflected through earnings in the period of the change. 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.

16. Subsequent event

On July 18, 2019, we completed an agreement which amends and extends our committed revolving credit facility. The agreement includes an extension of the maturity date from August 25, 2022 to August 28, 2024 and an increase in the revolving credit borrowing capacity from \$500 million to \$850 million. At the same time, we terminated the \$100 million uncommitted operating credit facility and extended the maturity date of the US\$200 million term loan from August 25, 2022 to August 28, 2024.