

**West Fraser Timber Co. Ltd.**

Condensed Consolidated Balance Sheets

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

	March 31	December 31
	2019	2018
Assets		
Current assets		
Cash and short-term investments	\$ 34	\$ 160
Receivables	380	332
Income taxes receivable	85	48
Inventories (note 5)	968	791
Prepaid expenses	18	14
	1,485	1,345
Property, plant and equipment	2,103	2,056
Timber licences	508	513
Goodwill and other intangibles	757	767
Export duty deposits (note 14)	79	75
Other assets	33	32
Deferred income tax assets	3	3
	\$ 4,968	\$ 4,791
Liabilities		
Current liabilities		
Cheques issued in excess of funds on deposit	\$ 30	\$ 13
Operating loans (note 6)	327	61
Payables and accrued liabilities	447	448
Income taxes payable	-	34
Reforestation and decommissioning obligations	40	39
	844	595
Long-term debt (note 6)	678	692
Other liabilities (note 7)	400	316
Deferred income tax liabilities	271	292
	2,193	1,895
Shareholders' Equity		
Share capital	487	491
Accumulated other comprehensive earnings	153	170
Retained earnings	2,135	2,235
	2,775	2,896
	\$ 4,968	\$ 4,791

Number of Common shares and Class B Common shares outstanding at April 24, 2019 was 68,858,133.



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	
	2019	2018
Share capital		
Balance - beginning of period	\$ 491	\$ 549
Issuance of Common shares	1	-
Repurchase of Common shares	(5)	(4)
Balance - end of period	\$ 487	\$ 545
Accumulated other comprehensive earnings		
Balance - beginning of period	\$ 170	\$ 108
Translation gain (loss) on foreign operations	(17)	19
Balance - end of period	\$ 153	\$ 127
Retained earnings		
Balance - beginning of period	\$ 2,235	\$ 2,069
Actuarial loss on post-retirement benefits	(36)	(3)
Repurchase of Common shares	(45)	(42)
Earnings for the period	(5)	197
Dividends	(14)	(12)
Balance - end of period	\$ 2,135	\$ 2,209
Shareholders' Equity	\$ 2,775	\$ 2,881



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	
	2019	2018
Sales	\$ 1,241	\$ 1,364
Costs and expenses		
Cost of products sold	903	778
Freight and other distribution costs	170	152
Export duties (note 14)	32	43
Amortization	65	66
Selling, general and administration	58	55
Equity-based compensation	3	5
	1,231	1,099
Operating earnings	10	265
Finance expense	(11)	(9)
Other (note 10)	(5)	9
Earnings before tax	(6)	265
Tax recovery (provision) (note 11)	1	(68)
Earnings	\$ (5)	\$ 197
Earnings per share (dollars) (note 12)		
Basic	\$ (0.07)	\$ 2.53
Diluted	\$ (0.12)	\$ 2.53
Comprehensive earnings		
Earnings	\$ (5)	\$ 197
Other comprehensive earnings		
Translation gain (loss) on foreign operations	(17)	19
Actuarial loss on post-retirement benefits (note 8)	(36)	(3)
Comprehensive earnings	\$ (58)	\$ 213



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	
Cash provided by (used in)	2019	2018
Operating activities		
Earnings	\$ (5)	\$ 197
Adjustments		
Amortization	65	66
Finance expense	11	9
Foreign exchange loss (gain) on long-term financing	1	(4)
Foreign exchange loss (gain) on export duty deposits	2	(1)
Export duty deposits	(5)	(4)
Post-retirement expense	21	20
Contributions to post-retirement benefit plans	(17)	(29)
Tax provision (recovery)	(1)	68
Income taxes paid	(77)	(132)
Other	19	14
Changes in non-cash working capital		
Receivables	(49)	(58)
Inventories	(180)	(228)
Prepaid expenses	(4)	(13)
Payables and accrued liabilities	(9)	38
	(228)	(57)
Financing activities		
Proceeds from operating loans	266	83
Finance expense paid	(5)	(3)
Repurchase of Common shares	(50)	(46)
Dividends	(14)	(12)
	197	22
Investing activities		
Additions to capital assets	(108)	(104)
Other	-	2
	(108)	(102)
Change in cash	(139)	(137)
Foreign exchange effect on cash	(4)	4
Cash - beginning of period	147	258
Cash - end of period	\$ 4	\$ 125
Cash consists of		
Cash and short-term investments	\$ 34	\$ 125
Cheques issued in excess of funds on deposit	(30)	-
	\$ 4	\$ 125

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 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.

		January 1, 2019
Right-of-use assets	Increase in Property, plant and equipment	\$ 14
Lease obligation - current portion	Increase in Payables and accrued liabilities	2
Lease obligation - long-term portion	Increase in Other liabilities	12

When measuring lease liabilities, we discounted lease payments using our incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.19%.

We elected to apply practical expedients, including recognition exemptions for short-term and low value leases.

During the three months ended March 31, 2019, we recorded a \$1 million amortization expense on the right-of-use assets and we made a \$1 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 do not proportionately reflect operating results for a full year.

5. Inventories

Inventories at March 31, 2019 were written down by \$30 million (December 31, 2018 - \$30 million; March 31, 2018 - \$7 million) to reflect net realizable value being lower than cost.

	March 31, 2019		December 31, 2018
Manufactured products	\$ 422	\$	421
Logs and other raw materials	392		218
Processing materials and supplies	154		152
	\$ 968	\$	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 \$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 dedicated to our U.S. operations.

At March 31, 2019, \$327 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.

Subsequent to the quarter end, we established a new \$100 million uncommitted operating credit facility dedicated to our Canadian operations. We also expanded our letters of credit facility by an additional \$20 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.

Long-term debt

	March 31, 2019		December 31, 2018
US\$300 million senior notes due October 2024; interest at 4.35%	\$ 401	\$	409
US\$200 million term loan due August 2022; floating interest rate	267		273
US\$8 million note payable due October 2020; interest at 2%	10		10
Notes payable	4		4
	682		696
Deferred financing costs	(4)		(4)
	\$ 678	\$	692

On March 15, 2019, we entered into an interest rate swap agreement, maturing in August 2022, with a US\$100 million notional amount to limit our exposure to fluctuations in interest rates and fix interest rates on a portion of our long-term debt. Under this agreement, we pay a fixed interest rate of 2.47% and receive a floating interest rate equal to 3-month LIBOR. The agreement is accounted for as a derivative. The gain or losses related to

changes in the fair value are included in other income on our consolidated statements of earnings. In the quarter, a \$1 million loss associated with the agreement was recorded in other income.

The fair value of the long-term debt at March 31, 2019 was \$686 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

	March 31, 2019	December 31, 2018
Post-retirement (note 8)	\$ 242	\$ 189
Reforestation	93	76
Decommissioning	30	29
Lease (note 3)	11	-
Other	24	22
	\$ 400	\$ 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.

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

	March 31, 2019	December 31, 2018
Projected benefit obligations	\$ (1,516)	\$ (1,381)
Fair value of plan assets	1,286	1,204
	\$ (230)	\$ (177)
Represented by		
Post-retirement assets	\$ 12	\$ 12
Post-retirement liabilities (note 7)	(242)	(189)
	\$ (230)	\$ (177)

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

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

For the three months ended March 31, 2019, we recognized in other comprehensive earnings a \$49 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 loss on post-retirement benefits, included in other comprehensive earnings, is as follows:

	January 1 to March 31	
	2019	2018
Actuarial loss	\$ (49)	\$ (4)
Tax recovery on actuarial loss	13	1
	\$ (36)	\$ (3)

9. **Share Capital**

During the quarter, we repurchased 718,500 Common shares under our normal course issuer bid at an average price of \$70.75 per share for a cost of approximately \$50 million.

10. **Other**

	January 1 to March 31	
	2019	2018
Foreign exchange gain (loss) on working capital	\$ (3)	\$ 5
Foreign exchange gain (loss) on intercompany financing ¹	(15)	21
Foreign exchange gain (loss) on long-term debt	14	(17)
Foreign exchange gain (loss) on export duty deposits receivable	(2)	1
Other	1	(1)
	\$ (5)	\$ 9

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.

11. **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	
	2019	2018
Income tax expense at statutory rate of 27%	\$ 2	\$ (71)
Non-taxable amounts	(1)	(2)
Rate differentials between jurisdictions and on specified activities	-	4
Other	-	1
Tax recovery (provision)	\$ 1	\$ (68)

12. **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	
	2019	2018
Earnings		
Basic	\$ (5)	\$ 197
Share option expense (recovery)	(1)	11
Equity-settled share option adjustment	(3)	(3)
Diluted	\$ (8)	\$ 205
Weighted average number of shares (thousands)		
Basic	69,432	77,825
Share options	398	764
Diluted	69,830	78,589
Earnings per share (dollars)		
Basic	\$ (0.07)	\$ 2.53
Diluted	\$ (0.12)	\$ 2.53

13. **Segmented information**

	Lumber	Panels	Pulp & paper	Corporate & other	Total
January 1, 2019 to March 31, 2019					
Sales					
To external customers	\$ 821	\$ 152	\$ 268	\$ -	\$ 1,241
To other segments	36	3	-	-	
	\$ 857	\$ 155	\$ 268	\$ -	
Operating earnings before amortization	\$ 52	\$ 15	\$ 11	\$ (3)	\$ 75
Amortization	(50)	(4)	(10)	(1)	(65)
Operating earnings	2	11	1	(4)	10
Finance expense	(7)	(1)	(3)	-	(11)
Other	(3)	-	-	(2)	(5)
Earnings before tax	\$ (8)	\$ 10	\$ (2)	\$ (6)	\$ (6)
January 1, 2018 to March 31, 2018					
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

The geographic distribution of external sales is as follows¹:

	January 1 to March 31 ¹	
	2019	2018
Canada	\$ 261	\$ 286
United States	701	802
China	169	155
Other Asia	98	109
Other	12	12
	\$ 1,241	\$ 1,364

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

14. **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 three months ended March 31, 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 U.S. Department of Commerce (“USDOC”), is 2.03% which is lower than the ADD deposit rate of 5.57%.

For the lumber segment, during the three months ended March 31, 2019 we incurred duty deposits of \$28 million related to CVD (March 31, 2018 - \$34 million) and \$9 million related to ADD (March 31, 2018 - \$11 million) which were recorded as follows:

	January 1 to March 31	
	2019	2018
Export duties recognized as expense in consolidated statements of earnings	\$ 32	\$ 41
Export duties recognized as export duty deposits receivable in consolidated balance sheets	5	4
Total	\$ 37	\$ 45

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

	March 31, 2019	December 31, 2018
Beginning balance	\$ 75	\$ 37
Export duties recognized as export duty deposits receivable in consolidated balance sheets	5	31
Interest recognized on the export duty deposits receivable	1	2
Foreign exchange gain (loss) on the export duty deposits	(2)	5
Ending balance	\$ 79	\$ 75

As at March 31, 2019, export duties paid and payable on deposit with the USDOC are US\$201 million for CVD and US\$75 million for ADD for a total of US\$276 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.