

West Fraser Announces Third Quarter Results

VANCOUVER, Oct. 21, 2019 /CNW/ - **West Fraser Timber Co. Ltd.** reports third quarter 2019 results:

Third Quarter Highlights

- Completed closure of Chasm, British Columbia ("B.C.") lumber facility sawmill and completed the shipment of all site inventories.
- Implemented variable production schedule at remaining British Columbia lumber mills.
- U.S. South lumber production improved by 7% over second quarter.
- NBSK production up 14% over prior quarter.
- Cash flow from operations of \$116 million for the quarter.
- Lumber shipments exceed production by 179 million board feet year to date.
- Quarter ending net debt to capital ratio of 28% and available liquidity of \$580 million.

Results Compared to Previous Periods

(\$ millions except earnings per share ("EPS"))	Q3-19	Q2-19	YTD-19	Q3-18	YTD-18
Sales	1,190	1,317	3,748	1,646	4,844
Adjusted EBITDA ¹	55	56	221	446	1,418
Operating earnings	(54)	(84)	(128)	328	1,057
Earnings	(45)	(58)	(108)	238	781
Basic EPS (\$)	(0.65)	(0.85)	(1.57)	3.25	10.30
Adjusted Earnings ¹	(15)	(17)	(10)	275	901
Adjusted basic EPS (\$) ¹	(0.22)	(0.25)	(0.15)	3.76	11.88

In this News Release, reference is made to Adjusted EBITDA, Adjusted earnings and Adjusted basic EPS (collectively "these measures"). We believe that, in addition to earnings, these measures are useful performance indicators. None of these measures is a generally accepted earnings measure under International Financial Reporting Standards ("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, EPS 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. Refer to the tables in the section titled "Non-IFRS Measures" in our third quarter 2019 Management's Discussion & Analysis for details of these adjustments.

Recent Developments

In the third quarter we completed the permanent closure of our Chasm, B.C. lumber facility and the elimination of the third production shift at our 100 Mile House, B.C. facility. We also implemented a variable production schedule at our remaining B.C. mills given the difficult lumber market conditions and persistently high purchase log costs.

Operational Results

Lumber production was down 3% over the second quarter as the Chasm closure, 100 Mile House shift reduction and variable operating schedules in B.C. were partially offset by increased production at our U.S. South mills. Reduced schedules and downtime in Alberta from temporary weather-related log shortages were also a factor in reduced SPF production. Lumber shipments exceeded production by approximately 48 MMfbm in the quarter due primarily to the Chasm closure and 100 Mile House shift reduction. Adjusted EBITDA for the lumber segment was \$39 million, consistent with the previous quarter. For the year lumber shipments have exceeded production by 179 million board feet as inventories are aligned to shift reductions and mill closures.

Although plywood production and shipments were slightly off the prior quarter, panels segment Adjusted EBITDA increased to \$13 million from \$10 million in the prior quarter.

NBSK production was 14% higher than the prior quarter as we recovered from our major maintenance shut downs at both our NBSK mills that occurred in the first half of the year. In spite of higher NBSK shipments, softer pulp pricing reduced Adjusted EBITDA for the pulp and paper segment to \$3 million from \$7 million for the quarter.

We generated cash flow from operations of \$116 million in the quarter and net debt increased only modestly by \$41 million all

while maintaining significant available liquidity of \$580 million. Capital investment in the quarter was \$133 million, most of which was committed to the modernization of our U.S. South operating platform.

Outlook

Ray Ferris, CEO of West Fraser stated, "Despite difficult forest product markets over the past several quarters, we remain committed to executing our strategy. We have taken significant action to right size our B.C. lumber operations over the past year. We have also completed a number of long lead time capital projects in the U.S. South over the last two quarters. We are beginning to see the benefits of these investments and remain convinced of additional potential in our U.S. South operations. The combination of grade and recovery improvements, reduced operating costs, increased uptime and improvements to working conditions will have a long-term impact on our returns."

Management's Discussion & Analysis ("MD&A")

The Company's MD&A is available on the Company's website: www.westfraser.com and on the System for Electronic Document Analysis and Retrieval at www.sedar.com under the Company's profile.

The Company

West Fraser 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.

Forward-Looking Statements

This Report contains historical information, descriptions of current circumstances and statements about potential future developments. 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 is subject to various risks and uncertainties. Forward-looking statements are included under the heading "Recent Developments" and "Outlook". Actual outcomes and results will depend on a number of factors that could affect the ability of the Company to execute its business plans, including those matters described in the 2018 annual Management's Discussion & Analysis under "Risks and Uncertainties", and may differ materially from those anticipated or projected. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances, except as required by applicable securities laws.

Conference Call

Investors are invited to listen to the quarterly conference call on Tuesday, October 22, 2019 at 8:30 a.m. Pacific Time (11:30 a.m. Eastern Time) by dialing 1-888-390-0546 (toll-free North America). The call and an earnings presentation may also be accessed through West Fraser's website at www.westfraser.com.

West Fraser shares trade on the Toronto Stock Exchange under the symbol: "WFT".

West Fraser Timber Co. Ltd.

Condensed Consolidated Balance Sheets

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

	September 30 2019	December 31 2018
Assets		
Current assets		
Cash and short-term investments	\$ 17	\$ 160
Receivables	294	332
Income taxes receivable	143	48
Inventories (note 5)	658	791
Prepaid expenses	18	14
	1,130	1,345
Property, plant and equipment	2,183	2,056
Timber licences	498	513
Goodwill and other intangibles	740	767
Export duty deposits (note 15)	77	75
Other assets	37	32
Deferred income tax assets	3	3
	\$ 4,668	\$ 4,791

Liabilities

Current liabilities

Cheques issued in excess of funds on deposit	\$ 4	\$ 13
Operating loans (note 6)	312	61
Payables and accrued liabilities	393	448
Income taxes payable	-	34
Reforestation and decommissioning obligations	41	39
	750	595
Long-term debt (note 6)	672	692
Other liabilities (note 7)	412	316
Deferred income tax liabilities	253	292
	2,087	1,895

Shareholders' Equity

Share capital	483	491
Accumulated other comprehensive earnings	146	170
Retained earnings	1,952	2,235
	2,581	2,896
	\$ 4,668	\$ 4,791

Number of Common shares and Class B Common shares outstanding at October 21, 2019 was 68,659,303.

West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity

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

	July 1 to September 30		January 1 to September 30	
	2019	2018	2019	2018
Share capital				
Balance - beginning of period	\$ 483	\$ 528	\$ 491	\$ 549
Issuance of Common shares	-	-	1	-
Repurchase of Common shares	-	(25)	(9)	(46)
Balance - end of period	\$ 483	\$ 503	\$ 483	\$ 503
Accumulated other comprehensive earnings				
Balance - beginning of period	\$ 137	\$ 145	\$ 170	\$ 108
Translation gain (loss) on foreign operations	9	(16)	(24)	21
Balance - end of period	\$ 146	\$ 129	\$ 146	\$ 129
Retained earnings				
Balance - beginning of period	\$ 2,001	\$ 2,361	\$ 2,235	\$ 2,069
Actuarial gain (loss) on post-retirement benefits	10	45	(62)	52
Repurchase of Common shares	-	(276)	(72)	(511)
Earnings for the period	(45)	238	(108)	781
Dividends	(14)	(14)	(41)	(37)
Balance - end of period	\$ 1,952	\$ 2,354	\$ 1,952	\$ 2,354
Shareholders' Equity	\$ 2,581	\$ 2,986	\$ 2,581	\$ 2,986

West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Earnings and Comprehensive Earnings

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

	July 1 to September 30		January 1 to September 30	
	2019	2018	2019	2018
Sales	\$ 1,190	\$ 1,646	\$ 3,748	\$ 4,844

Costs and expenses

Cost of products sold	906	943	2,822	2,700
Freight and other distribution costs	181	201	547	558
Export duties (note 15)	44	54	127	165
Amortization	65	64	193	188
Selling, general and administration	48	56	158	168
Equity-based compensation	1	-	4	8
Restructuring and impairment charges (note 10)	(1)	-	25	-

Operating earnings

	1,244	1,318	3,876	3,787
Finance expense	(54)	328	(128)	1,057
Other (note 11)	(12)	(10)	(36)	(28)
	2	(4)	(9)	15

Earnings before tax

	(64)	314	(173)	1,044
Tax recovery (provision) (note 12)	19	(76)	65	(263)

Earnings	\$ (45)	\$ 238	\$ (108)	\$ 781
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Earnings per share (dollars) (note 13)

Basic	\$ (0.65)	\$ 3.25	\$ (1.57)	\$ 10.30
Diluted	\$ (0.73)	\$ 2.99	\$ (1.77)	\$ 10.16

Comprehensive earnings

Earnings	\$ (45)	\$ 238	\$ (108)	\$ 781
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Other comprehensive earnings

Translation gain (loss) on foreign operations	9	(16)	(24)	21
Actuarial gain (loss) on post-retirement benefits (note 8)	10	45	(62)	52
Comprehensive earnings	\$ (26)	\$ 267	\$ (194)	\$ 854

West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Cash Flows

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

	July 1 to September 30		January 1 to September 30	
	2019	2018	2019	2018
Cash provided by (used in)				
Operating activities				
Earnings	\$ (45)	\$ 238	\$ (108)	\$ 781
Adjustments				
Amortization	65	64	193	188
Restructuring and impairment charges	(1)	-	25	-
Restructuring charges paid	(6)	-	(6)	-
Finance expense	12	10	36	28
Foreign exchange loss (gain) on long-term financing	(1)	2	2	(4)
Foreign exchange loss (gain) on export duty deposits	(1)	1	2	(1)
Export duty deposits	2	(14)	(2)	(31)
Post-retirement expense	19	20	60	60
Contributions to post-retirement benefit plans	(23)	(28)	(61)	(79)
Tax provision (recovery)	(19)	76	(65)	263
Income taxes received (paid)	10	(65)	(85)	(275)
Other	(14)	(12)	(2)	(5)
Changes in non-cash working capital				
Receivables	55	89	32	(33)
Inventories	67	15	127	(28)
Prepaid expenses	12	10	(4)	(10)
Payables and accrued liabilities	(16)	(7)	(69)	43
	116	399	75	897
Financing activities				
Proceeds from (repayment of) operating loans	68	-	253	-
Finance expense paid	(6)	(5)	(27)	(20)
Repurchase of Common shares	-	(301)	(81)	(557)
Dividends and other	(17)	-	(46)	(23)

	45	(306)	99	(600)
Investing activities				
Additions to capital assets	(133)	(111)	(323)	(284)
Government assistance	-	5	5	5
Proceeds from disposal of capital assets	5	(1)	12	-
Other	1	(2)	2	1
	(127)	(109)	(304)	(278)
Change in cash	34	(16)	(130)	19
Foreign exchange effect on cash	(1)	(4)	(4)	5
Cash - beginning of period	(20)	302	147	258
Cash - end of period	\$ 13	\$ 282	\$ 13	\$ 282

Cash consists of

Cash and short-term investments			\$ 17	\$ 282
Cheques issued in excess of funds on deposit			(4)	-
			\$ 13	\$ 282

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 nine months ended September 30, 2019, we recorded a \$3 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 September 30, 2019 were written down by \$46 million (June 30, 2019 - \$47 million; December 31, 2018 - \$30 million; September 30, 2018 - \$14 million) to reflect net realizable value being lower than cost.

	September 30, 2019	December 31, 2018
Manufactured products	\$333	\$421
Logs and other raw materials	162	218
Processing materials and supplies	163	152
	\$658	\$791

6. Operating loans and long-term debt

Operating loans

Our revolving lines of credit consist of a \$850 million committed revolving credit facility which matures August 2024, 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 \$90 million dedicated to letters of credit, of which US\$15 million is dedicated to our U.S. operations.

At September 30, 2019, \$312 million (net of deferred financing costs of \$3 million) was drawn under our revolving credit facility. Letters of credit in the amount of \$62 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

	September 30, 2019	December 31, 2018
US\$300 million senior notes due October 2024; interest at 4.35%	\$397	\$409
US\$200 million term loan due August 2024; floating interest rate	265	273
US\$8 million note payable due October 2020; interest at 2%	10	10
Notes payable	3	4
	675	696
Deferred financing costs	(3)	(4)
	\$672	\$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 gain or losses related to changes in the fair value are included in other income on our consolidated statements of earnings. For the nine months ended September 30, 2019, a \$4 million loss associated with the agreement was recorded in other income.

The fair value of the long-term debt at September 30, 2019 was \$688 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

	September 30, 2019	December 31, 2018
Post-retirement (note 8)	\$277	\$189
Reforestation	65	76
Decommissioning	32	29

Lease (note 3)	10	-
Other	28	22
	\$412	\$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:

	September 30, 2019	December 31, 2018
Projected benefit obligations	\$(1,618)	\$(1,381)
Fair value of plan assets	1,359	1,204
	\$(259)	\$(177)
Represented by		
Post-retirement assets	\$18	\$12
Post-retirement liabilities (note 7)	(277)	(189)
	\$(259)	\$(177)

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

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

For the nine months ended September 30, 2019, we recognized in other comprehensive earnings a \$82 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:

	July 1 to September 30		January 1 to September 30	
	2019	2018	2019	2018
Actuarial gain (loss)	\$ 13	\$ 62	\$ (82)	\$ 72
Tax recovery (provision)	(3)	(17)	20	(20)
	\$ 10	\$ 45	\$ (62)	\$ 52

9. Share Capital

On September 17, 2019 our Board of Directors authorized the renewal of our normal course issuer bid ("NCIB") program to repurchase for cancellation up to 3,318,823 Common shares, representing approximately 5% of the issued and outstanding Common shares. The NCIB will expire on September 19, 2020. Our previous NCIB expired on September 18, 2019.

During the nine months ended September 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. During the nine months ended September 30, 2019, we recognized charges of \$25 million for the restructuring and impairment costs as follows:

	January 1 to September 30, 2019
Severance	\$ 8
Lease obligation and other commitments	3
Decommissioning obligation	2
Restructuring charges	\$ 13
Asset impairment	16
Curtailment gain on post-retirement obligation	(4)
Total restructuring and impairment charges	\$ 25

A reconciliation of restructuring charges included in payables and accrued liabilities is as follows:

	January 1 to September 30, 2019
Beginning of period	\$ -
Restructuring charges recognized	14
Restructuring charges paid	(6)
Change in estimate	(1)
End of period	\$ 7

11. Other

	July 1 to September 30 2019	2018	January 1 to September 30 2019	2018
Foreign exchange gain (loss) on working capital	\$ 1	\$ (5)	\$ (4)	\$ 4
Foreign exchange gain (loss) on intercompany financing ¹	9	(13)	(22)	24
Foreign exchange gain (loss) on long-term debt	(8)	11	20	(20)
Foreign exchange gain (loss) on export duty deposits receivable	1	(1)	(2)	1
Other	(1)	4	(1)	6
	\$ 2	\$ (4)	\$ (9)	\$ 15

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:

	July 1 to September 30		January 1 to September 30	
	2019	2018	2019	2018
Income tax recovery (expense) at statutory rate of 27%	\$ 17	\$ (85)	\$ 47	\$ (282)
Non-taxable amounts	2	4	3	-
Rate differentials between jurisdictions and on specified activities	-	6	(2)	18
Decrease in Alberta provincial tax rate ¹	-	-	17	-
Other	-	(1)	-	1
Tax recovery (provision)	\$ 19	\$ (76)	\$ 65	\$ (263)

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.

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.

	July 1 to September 30		January 1 to September 30	
	2019	2018	2019	2018
Earnings				
Basic	\$ (45)	\$ 238	\$ (108)	\$ 781
Share option recovery	(5)	(17)	(11)	-
Equity-settled share option adjustment	-	-	(3)	(3)
Diluted	\$ (50)	\$ 221	\$ (122)	\$ 778

Weighted average number of shares

(thousands)				
Basic	68,657	73,080	68,956	75,820
Share options	186	653	306	723
Diluted	68,843	73,733	69,262	76,543

Earnings per share (dollars)

Basic	\$ (0.65)	\$ 3.25	\$ (1.57)	\$ 10.30
Diluted	\$ (0.73)	\$ 2.99	\$ (1.77)	\$ 10.16

14. Segmented information

	Pulp & Corporate				
	Lumber	Panels	paper	& other	Total
July 1, 2019 to September 30, 2019					
Sales					
To external customers	\$820	\$ 146	\$ 224	\$ -	\$1,190
To other segments	28	3	-	-	
	\$848	\$ 149	\$ 224	\$ -	

Operating earnings before amortization, restructuring and impairment charges	\$(5)	\$ 13	\$ 3	\$ (1)	\$10
Amortization	(49)	(4)	(11)	(1)	(65)
Restructuring and impairment charges	1	-	-	-	1
Operating earnings	(53)	9	(8)	(2)	(54)
Finance expense	(9)	-	(2)	(1)	(12)
Other	3	-	1	(2)	2
Earnings before tax	\$(59)	\$ 9	\$ (9)	\$ (5)	\$(64)

July 1, 2018 to September 30, 2018

Sales					
To external customers	\$1,167	\$ 167	\$ 312	\$ -	\$1,646
To other segments	44	3	-	-	
	\$1,211	\$ 170	\$ 312	\$ -	

Operating earnings before amortization	\$281	\$ 34	\$ 77	\$ -	\$392
Amortization	(48)	(3)	(12)	(1)	(64)
Operating earnings	233	31	65	(1)	328
Finance expense	(7)	(1)	(3)	1	(10)
Other	2	-	(1)	(5)	(4)
Earnings before tax	\$228	\$ 30	\$ 61	\$ (5)	\$314

Pulp & Corporate Lumber Panels paper & other Total

January 1, 2019 to September 30, 2019

Sales					
To external customers	\$2,560	\$ 454	\$ 734	\$ -	\$3,748
To other segments	97	9	-	-	
	\$2,657	\$ 463	\$ 734	\$ -	

Operating earnings before amortization, restructuring and impairment charges	\$35	\$ 38	\$ 21	\$ (4)	\$90
Amortization	(147)	(11)	(32)	(3)	(193)
Restructuring and impairment charges	(25)	-	-	-	(25)
Operating earnings	(137)	27	(11)	(7)	(128)
Finance expense	(25)	(3)	(7)	(1)	(36)
Other	(3)	-	1	(7)	(9)
Earnings before tax	\$(165)	\$ 24	\$(17)	\$ (15)	\$(173)

January 1, 2018 to September 30, 2018

Sales					
To external customers	\$3,433	\$ 516	\$ 895	\$ -	\$4,844
To other segments	125	9	-	-	
	\$3,558	\$ 525	\$ 895	\$ -	

Operating earnings before amortization	\$923	\$ 118	\$ 211	\$ (7)	\$1,245
Amortization	(143)	(10)	(33)	(2)	(188)
Operating earnings	780	108	178	(9)	1,057
Finance expense	(19)	(2)	(7)	-	(28)
Other	10	-	4	1	15
Earnings before tax	\$771	\$ 106	\$ 175	\$ (8)	\$1,044

The geographic distribution of external sales is as follows¹:

July 1 to September 30	January 1 to September 30
2019	2018
2019	2018

Canada	\$ 235	\$ 305	\$ 766	\$ 970
United States	720	1,005	2,206	2,938
China	155	204	497	542
Other Asia	74	121	250	360
Other	6	11	29	34
	\$ 1,190	\$ 1,646	\$ 3,748	\$ 4,844

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 nine months ended September 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 5.05% which is lower than the ADD deposit rate of 5.57%.

For the lumber segment, during the nine months ended September 30, 2019, we incurred duty deposits of \$99 million related to CVD (September 30, 2018 - \$145 million) and \$30 million related to ADD (September 30, 2018 - \$46 million) which were recorded as follows:

	July 1 to September 30		January 1 to September 30	
	2019	2018	2019	2018
Export duties recognized as expense in consolidated statements of earnings	\$ 44	\$ 58	\$ 127	\$ 165
Export duties recognized as export duty deposits receivable in consolidated balance sheets	(2)	10	2	26
Total	\$ 42	\$ 68	\$ 129	\$ 191

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

	September 30, 2019	December 31, 2018
Beginning balance	\$75	\$37
Export duties recognized as export duty deposits receivable in consolidated balance sheets	2	31
Interest recognized on the export duty deposits receivable	2	2
Foreign exchange gain (loss) on the export duty deposits	(2)	5
Ending balance	\$77	\$75

As at September 30, 2019, export duties paid and payable on deposit with the USDOC are US\$253 million for CVD and US\$91 million for ADD for a total of US\$344 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.

SOURCE West Fraser Timber Co. Ltd.

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www.westfraser.com

<https://westfraser.mediaroom.com/2019-10-21-West-Fraser-Announces-Third-Quarter-Results>