News Release Archive

West Fraser Announces 2021 Second Quarter Results and 2021 Virtual Investor Event

VANCOUVER, BC, July 28, 2021 /CNW/ - West Fraser Timber Co. Ltd. ("**West Fraser**" or the "**Company**") (TSX and NYSE: WFG) reported today the second quarter results of 2021. The Company also announced that it will hold a virtual Investor Event in which members of the Company's senior management team will provide a corporate update to investors and analysts. The event will be webcast on September 16, 2021 at 11:00 a.m. Pacific Time/2:00 p.m. Eastern Time with further details to follow.

The results of operations presented and discussed below include those of Norbord from February 1, 2021, the date of the completion of the acquisition of Norbord. All dollar amounts in this news release are expressed in U.S. dollars unless noted otherwise.

Second Quarter Highlights

- Sales increased 61% from the prior quarter to $3.779 billion
- Earnings increased to $1,488 million, or 39% of sales, from $665 million in the prior quarter
- Adjusted EBITDA increased to $2.160 billion from $1.008 billion in the prior quarter
- Repurchased $233 million of WFG shares for cancellation under normal course issuer bid ("NCIB")
- Increased authorization of the NCIB to 9.58 million shares of WFG
- Redeemed Norbord Notes and retired $665 million of debt
- Finished the quarter with liquidity at $3.392 billion and net debt to total capital ratio of (28)%
- Initiated a CAD$1.0 billion substantial issuer bid ("SIB") subsequent to quarter-end

Results Compared to Previous Periods
($ millions except earnings per share ("EPS"))

	Q2-21[1]	Q1-21[1]	YTD-21[1]	Q2-20	YTD-20
Sales	3,779	2,343	6,122	921	1,811
Adjusted EBITDA[3,4]	2,160	1,008[2]	3,168[2]	104	172
Operating earnings	1,986	879	2,865	61	70
Earnings	1,488	665	2,153	35	44
Basic EPS ($)	12.32	6.96	19.90	0.51	0.64
Diluted EPS ($)	12.32	6.96	19.90	0.51	0.55

1. The results of the operations of Norbord from the date of the acquisition of February 1, 2021, are included in West Fraser's financial results.
2. Cost of products sold was increased and Adjusted EBITDA decreased by a one-time charge of $93 million related to inventory purchase price accounting.
3. See section "Non-IFRS Measures" in the Q2 2021 MD&A.
4. Effective January 1, 2021, and for all comparative periods, export duties are no longer excluded from the definition of Adjusted EBITDA.

Operational Results Summary

Our Lumber segment generated operating earnings in the quarter of $955 million (Q1-21 - $607 million) and Adjusted EBITDA of $994 million (Q1-21 - $646 million). Adjusted EBITDA increased due to higher lumber prices and higher shipment volumes that recovered from the seasonal railcar shortages in Canada and a period of extreme winter conditions in the U.S. South in the previous quarter. Adjusted EBITDA was negatively affected by higher manufacturing costs due in part to increased SPF log costs, and to a lesser degree, increased SYP log costs, higher expenditures related to increased employee costs in the U.S. South associated with managing through COVID-19 impacts and other input cost inflation.

Our NA EWP segment generated operating earnings in the quarter of $1,017 million (Q1-21 - $299 million) and Adjusted EBITDA of $1,106 million (Q1-21 - $353 million). Segment operating earnings and Adjusted EBITDA in the prior quarter were decreased by a one-time charge of $86 million related to inventory fair value adjustments from purchase price accounting. The contribution of a full three months from our OSB operations from the Norbord acquisition, higher plywood pricing and recovery of plywood shipment volumes from the weather-related railcar shortages experienced in the previous quarter positively impacted Adjusted EBITDA for the quarter. Higher log costs from increased B.C., Alberta and Ontario stumpage rates and higher resin costs negatively impacted Adjusted EBITDA.

Our Pulp & Paper segment generated operating earnings in the quarter of $17 million (Q1-21 - $2 million) and Adjusted EBITDA of $25 million (Q1-21 - $11 million) while the Europe EWP segment generated operating earnings in the quarter of $15 million (Q1-21 – negative $6 million) and Adjusted EBITDA of $39 million (Q1-21 - $11 million). Our Europe EWP segment operating earnings and Adjusted EBITDA were decreased by a one-time charge of $7 million in the prior quarter related to inventory fair value adjustments from purchase price accounting.

Capital Allocation

Strong second quarter results increased quarter-end available liquidity to $3,392 million from $2,551 million at the end of the prior quarter. This balance sheet improvement has afforded us greater flexibility to undertake strategic capital investments, repay debt and repurchase shares.

Debt Repayment

Concurrent with the closing of the Norbord acquisition, we assumed Norbord's $315 million senior notes due April 2023 (the "2023 Notes"), bearing interest at 6.25%, and $350 million senior notes due July 2027 (the "2027 Notes"), bearing interest at 5.75%.

During the second quarter, we elected to redeem the remaining 2027 Notes. We also gave notice to redeem the 2023 Notes. Both Notes were redeemed with cash on hand and are no longer outstanding. With the redemptions of the 2023 Notes and the 2027 Notes we have now retired $665 million of the principal value of long-term debt and reduced annual interest expense by approximately $40 million.

Normal Course Issuer Bid

On February 17, 2021, we renewed our normal course issuer bid ("NCIB"), allowing us to acquire an additional 6,044,000 Common shares until the expiry of the bid on February 16, 2022. On June 11, 2021, we amended our NCIB, allowing us to acquire an additional 3,538,470 Common shares for an aggregate of 9,582,470 Common shares. In the second quarter of 2021, we repurchased approximately 3.01 million shares under the NCIB at an average share price of CAD$90.85 ($74.53) for aggregate consideration of $233 million. All shares purchased by the Company under the NCIB will be cancelled.

Outlook

Western Canadian Wildfires

Western Canada is presently facing extreme heat and dry ground conditions, resulting in a significant number of wildfires. As a result, the province of British Columbia declared a provincial state of emergency on July 20, 2021. The wildfires are affecting access to logging areas in some of our operating areas and impacting transportation networks we rely on to move our products. This has resulted in temporary suspensions of production due to raw material shortages, evacuation orders and difficulties in moving our finished product by truck and rail. At this time, we cannot estimate when the situation will be alleviated or estimate the impact on our production and shipments.

Markets

The most significant uses for our lumber and OSB products are residential construction, repair and remodelling, and industrial applications. Low mortgage rates, low volumes of homes available for resale, favourable demographics, increasing acceptance of remote working and the underlying housing construction deficit due to several years of underbuilding appear to be positively influencing the demand for new housing in North America. An aging housing stock and repair and renovation spending should also continue to drive lumber, plywood and OSB demand.

Canadian lumber exports to Asia may be impacted by competition from suppliers in other countries and current North American pricing will continue to impact export markets. Lumber exports are also expected to be negatively impacted in the near-term by wildfires that in some cases are impeding rail access to shipping ports.

Our balance sheet remains strong and well equipped to face potential volatility that may exist in our markets over the coming quarters and to support capital expenditure plans and returning capital to shareholders.

Operations

In order to address the wildfire situation in Western Canada (including evacuation alerts and orders, and a provincial state of emergency declaration), transportation challenges, log cost and availability, variability in short term demand and overall inventory levels, we may from time to time adjust activity levels at our operations. Starting in the second half of June, we have been making such adjustments to activity levels at our operations to address the current situation and will continue to do so as required. As a result, we expect that our production and shipments in the second half of 2021 will be impacted. The extent of this impact will be dependent on the severity of the wildfire situation, any state of emergency or evacuation orders issued by governments and resulting impacts to operations, log cost and availability, fluidity of transportation and overall demand for our products.

In addition, our operations and results could be negatively affected by the availability of labour due to the continuing impacts of COVID-19, adverse weather conditions in our operating areas, intense competition for logs in the B.C. Interior, and elevated stumpage fees. On January 1, 2021, stumpage rates increased in B.C. due to the market-based adjustments related to lumber prices and purchase log costs. A further increase in B.C. stumpage rates occurred on July 1, 2021 and we expect a further

increase in B.C. stumpage on October 1, 2021. In Alberta, stumpage rates have started to decline from levels earlier in the year, as they are closely linked to the price of lumber and OSB and respond rapidly to changes in lumber and OSB prices. We expect the SYP log cost to remain relatively steady in the third quarter after moderating in the second quarter of 2021. We also have periodic planned maintenance outages at our EWP and pulp facilities.

Strategic Capital Program

We continue to expect to move forward with approximately $180 million of additional capital projects identified under West Fraser's strategic capital program. As previously indicated, work on these projects will begin the second half of 2021 and continue through 2023. This investment program will support safety, cost improvements and strategic growth initiatives as we continue our focus on capital execution and operational excellence. The average project payback period for this strategic capital program is expected to be three to four years. Notwithstanding the addition of these capital projects, as a result of lengthening lead times on projects currently underway, we are reducing our 2021 capital expenditure target to a range of approximately $400 million to $450 million from our prior guidance of approximately $450 million.

Norbord Integration Update

The integration of the Norbord business is still in the early stages and remains a Company focus. We remain on track to achieve targeted annual synergies of $61 million over the next 12-18 months.

Substantial Issuer Bid

On July 12, 2021, we commenced a substantial issuer bid ("SIB") pursuant to which the Company has offered to purchase from shareholders for cancellation up to CAD$1.0 billion of Common shares. The SIB is by way of a "modified Dutch auction" procedure with a tender price range from CAD$85.00 to CAD$98.00 per share. The SIB will expire on August 17, 2021, unless extended or withdrawn. Upon expiry of the SIB, the Company will determine the lowest purchase price (which will be not less than CAD$85.00 per share and not more than CAD$98.00 per share) that will allow it to purchase the maximum number of shares properly tendered to the SIB, and not properly withdrawn, having an aggregate purchase price not exceeding CAD$1.0 billion. In addition, our completion of the SIB is subject to the conditions to the closing of the SIB, as set out in the SIB, being satisfied. We have suspended share repurchases under our current NCIB, and no NCIB purchases will be made until after the expiration of the SIB, if and when we determine to recommence repurchases under the NCIB.

Risks and Uncertainties

Risk and uncertainty disclosures are included in our 2020 annual MD&A, in our 2020 Annual Report, as well as in our public filings with securities regulatory authorities, including those set out in our Base Shelf Prospectus under the heading "Risk Factors". These risks and uncertainties include risks and uncertainties related to the business of Norbord, and the integration of the business of Norbord into our business.

MD&A

Our second quarter 2021 MD&A is available on our website at www.westfraser.com and the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and the Electronic Data Gathering, Analysis and Retrieval System ("EDGAR") website at www.sec.gov/edgar.shtml under the Company's profile.

Financial Information Related to the Norbord Acquisition

We have applied purchase price accounting to the Norbord acquisition, resulting in a significant increase from the historical cost base of Norbord and $1,374 million of goodwill. Note 3 to our Financial Statements provides details on the purchase price allocation. For additional information, refer to the section titled "Norbord Acquisition" in our second quarter 2021 MD&A.

Responsibility Report

West Fraser's full Environmental, Social, and Governance (ESG) Responsibility Report is available on the Company's website at www.westfraser.com. This report reviews the Company's key ESG topics, opportunities and performance and includes information aligned with the Sustainable Accounting Standards Board (SASB), Global Reporting Initiative (GRI), and the recommendations of the Task Force on Climate-Related Disclosures (TFCD).

The Company

West Fraser is a diversified wood products company with more than 60 facilities in Canada, the United States, the United Kingdom, and Europe. From responsibly sourced and sustainably managed forest resources, the Company produces lumber, engineered wood products (OSB, LVL, MDF, plywood, and particleboard), pulp, newsprint, wood chips, other residuals and renewable energy. West Fraser's products are used in home construction, repair and remodelling, industrial applications, papers, tissue, and box materials.

Conference Call

West Fraser will hold an analysts' conference call to discuss the Company's second quarter 2021 financial and operating results on Thursday, July 29, 2021 at 8:30 a.m. Pacific Time (11:30 a.m. Eastern Time). To participate in the call, please dial: 1-888-390-0605 (toll-free North America) or 416-764-8609 (toll) or connect on the webcast. The call and an earnings presentation may also be accessed through West Fraser's website at www.westfraser.com. Please let the operator know you wish to participate in the West Fraser conference call chaired by Mr. Ray Ferris, President and Chief Executive Officer of the Company.

Following management's discussion of the quarterly results, investors and the analyst community will be invited to ask questions. The call will be recorded for webcasting purposes and will be available on the West Fraser website at www.westfraser.com.

Forward-Looking Statements

This news release contains "forward-looking information" and "forward-looking statements" within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of the *U.S. Securities Act of 1933*, the *U.S. Securities Exchange Act of 1934*, and the "safe harbor" provisions of the *United States Private Securities Litigation Reform Act of 1995*. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements which reflect management's expectations regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of West Fraser and its subsidiaries, including Norbord, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could." In particular, this news release contains forward-looking statements under the headings "Capital Allocation" (regarding flexibility to undertake strategic capital investments, repay debt and repurchase shares), "Outlook - *Western Canadian Wildfires*" (regarding the estimated impact on production and shipments), "Outlook - *Markets*" (regarding lumber, OSB and plywood demand, lumber exports and the strength and ability of our balance sheet to weather potential market volatility), "Outlook - *Operations*" (regarding activity levels at our operations, the impact on production and shipments and negative impacts on operations and results, including COVID-19, fibre costs and other factors), "Outlook - *Strategic Capital Program*" (regarding the amount and timing of planned capital expenditures and payback period), "Outlook - *Norbord Integration Update*" (regarding achievement of synergies and integration of Norbord), and "Outlook - *Substantial Issuer Bid*" (regarding terms of the substantial issuer bid and purchases under the NCIB).

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts, and other forward-looking statements will not occur. Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: (1) assumptions in connection with the economic and financial conditions in the U.S., Canada, Europe and globally and consequential demand for our products; (2) risks inherent to product concentration and cyclicality; (3) effects of competition and product pricing pressures, including reductions or deferral of demand in response to lumber and/or OSB price increases; (4) effects of variations in the price and availability of manufacturing inputs, including continued access to log supply and fibre resources at competitive prices and the impact of third-party certification standards; (5) availability of transportation services, including truck and rail services, and port facilities, and impacts on transportation services from wildfires; (6) various events that could disrupt operations, including natural, man-made or catastrophic events including wildfires and any state of emergency and/or evacuation orders issued by governments, and ongoing relations with employees; (7) risks inherent to customer dependence; (8) impact of future cross border trade rulings or agreements; (9) implementation of important strategic initiatives and identification, completion and integration of acquisitions; (10) impact of changes to, or non-compliance with, environmental or other regulations; (11) the impact of the COVID-19 pandemic on our operations and on customer demand, supply and distribution and other factors; (12) government restrictions, standards or regulations intended to reduce greenhouse gas emissions; (13) changes in government policy and regulation; (14) impact of weather and climate change on our operations or the operations or demand of its suppliers and customers; (15) ability to implement new or upgraded information technology infrastructure; (16) impact of information technology service disruptions or failures; (17) impact of any product liability claims in excess of insurance coverage; (18) risks inherent to a capital intensive industry; (19) impact of future outcomes of tax exposures; (20) potential future changes in tax laws, including tax rates; (21) effects of currency exposures and exchange rate fluctuations; (22) future operating costs; (23) availability of financing, bank lines, securitization programs and/or other means of liquidity; (24) integration of the Norbord business; (25) the extent to which shareholders tender under our substantial issuer bid, and the prices at which shares are tendered; (26) a determination by us that the conditions for completion of the substantial issuer bid have not been satisfied; and (27) other risks detailed from time-to-time in our annual information forms, annual reports, MD&A, quarterly reports and material change reports filed with and furnished to securities regulators.

In addition, actual outcomes and results of these statements will depend on a number of factors, including those matters described under "Risks and Uncertainties" in our 2020 MD&A, and may differ materially from those anticipated or projected. This list of important factors affecting forward-looking statements is not exhaustive, and reference should be made to the other factors discussed in public filings with securities regulatory authorities. Accordingly, readers should exercise caution in relying

upon forward-looking statements, and we undertake no obligation to update or revise any forward-looking statements publicly, whether written or oral, to reflect subsequent events or circumstances except as required by applicable securities laws.

Non-IFRS Measures

Throughout this news release, reference is made to Adjusted EBITDA, available liquidity, and total and net debt to total capital ratio (collectively "these Non-IFRS measures"). We believe that, in addition to earnings, these Non-IFRS measures are useful performance indicators for investors with regard to operating and financial performance. Adjusted EBITDA is also used to evaluate the operating and financial performance of our operating segments, generate future operating plans, and make strategic decisions. These Non-IFRS measures are not generally accepted financial measures under IFRS and do not have standardized meanings prescribed by IFRS. Investors are cautioned that none of these Non-IFRS measures should 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 Non-IFRS 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 Non-IFRS measures may not be directly comparable to similarly titled measures used by other entities. Accordingly, these Non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The reconciliation of the Non-IFRS measures used and presented by the Company to the most directly comparable IFRS measures is set out in our Q2 2021 MD&A.

West Fraser Timber Co. Ltd
Condensed Consolidated Balance Sheets
(in millions of United States dollars, except where indicated - unaudited)

	June 30 2021	*Currency remeasurement* December 31 2020	*Currency remeasurement* January 1 2020
Assets			
Current assets			
Cash and short-term investments	$2,231	$ 461	$12
Receivables	777	277	199
Income taxes receivable	22	8	104
Inventories (note 5)	966	578	561
Prepaid expenses	62	12	7
	4,058	1,336	883
Property, plant and equipment	3,625	1,657	1,648
Timber licences	375	372	380
Goodwill and other intangibles	2,426	591	594
Export duty deposits (note 14)	180	178	61
Other assets	42	35	20
Deferred income tax assets	5	9	8
	$10,711	$ 4,178	$3,594
Liabilities			
Current liabilities			
Cheques issued in excess of funds on deposit	$-	$ -	$12
Operating loans (note 6)	-	-	288
Payables and accrued liabilities	745	389	305
Current portion of long-term debt (note 6)	-	7	7
Current portion of reforestation and decommissioning obligations	39	34	32
Income taxes payable	491	98	-
	1,275	528	644
Long-term debt (note 6)	499	500	500
Other liabilities (note 7)	380	408	350
Deferred income tax liabilities	718	264	195
	2,872	1,700	1,689
Shareholders' Equity			
Share capital (note 9)	3,820	481	480
Accumulated other comprehensive earnings	(239)	(240)	(272)
Retained earnings	4,258	2,237	1,697

	7,839	2,478	1,905
	$10,711	$ 4,178	$3,594

Number of Common shares and Class B Common shares outstanding at July 28, 2021 was 118,725,654.

West Fraser Timber Co. Ltd
Condensed Consolidated Statements of Changes in Shareholders' Equity
(in millions of United States dollars, except where indicated - unaudited)

	2021	***Currency remeasurement*** **April 1 to June 30 2020**	2021	***Currency remeasurement*** **January 1 to June 30 2020**
Share capital				
Balance - beginning of period	$3,917	$480	$481	$480
Issuance of Common shares (note 9)	3	-	3,490	-
Repurchase of Common shares for cancellation (note 9)	(100)	-	(151)	-
Balance - end of period	$3,820	$480	$3,820	$480
Contributed surplus				
Balance - beginning of period	$15	$-	$-	$-
Acquired equity-settled share option plan (note 3)	-	-	14	-
Equity-settled share option expense	-	-	1	-
Convert equity-settled share option plan to cash-settled (note 9)	(15)	-	(15)	-
Balance - end of period	$-	$-	$-	$-
Accumulated other comprehensive earnings				
Balance - beginning of period	$(239)	$(391)	$(240)	$(272)
Translation gain on foreign operations	-	-	1	-
Translation effect on change in reporting currency	-	52	-	(67)
Balance - end of period	$(239)	$(339)	$(239)	$(339)
Retained earnings				
Balance - beginning of period	$2,921	$1,764	$2,237	$1,697
Actuarial (loss) gain on post-retirement benefits, net of tax	(4)	(117)	85	(50)
Repurchase of Common shares for cancellation (note 9)	(123)	-	(174)	-
Earnings for the period	1,488	35	2,153	44
Dividends declared	(24)	(10)	(43)	(19)
Balance - end of period	$4,258	$1,672	$4,258	$1,672
Shareholders' Equity	$7,839	$1,813	$7,839	$1,813

West Fraser Timber Co. Ltd
Condensed Consolidated Statements of Earnings and Comprehensive Earnings
(in millions of United States dollars, except where indicated - unaudited)

	Currency remeasurement **April 1 to June 30**		***Currency remeasurement*** **January 1 to June 30**	
	2021	**2020**	**2021**	**2020**
Sales	$3,779	$921	$6,122	$1,811
Costs and expenses				

Cost of products sold	1,235	615	2,274	1,245
Freight and other distribution costs	238	133	419	258
Export duties, net (note 14)	73	30	110	56
Amortization	162	47	284	99
Selling, general and administration	73	39	151	80
Equity-based compensation	12	(4)	19	3
	1,793	860	3,257	1,741
Operating earnings	1,986	61	2,865	70
Finance expense	(20)	(10)	(33)	(22)
Other (note 10)	-	(2)	4	7
Earnings before tax	1,966	49	2,836	55
Tax provision (note 11)	(478)	(14)	(683)	(11)
Earnings	$1,488	$35	$2,153	$44
Earnings per share (dollars) (note 12)				
Basic	$12.32	$0.51	$19.90	$0.64
Diluted	$12.32	$0.51	$19.90	$0.55
Comprehensive earnings				
Earnings	$1,488	$35	$2,153	$44
Other comprehensive earnings				
Translation gain on foreign operations	-	-	1	-
Translation effect on change in reporting currency	-	52	-	(67)
Actuarial (loss) gain on post-retirement benefits, net of tax	(4)	(117)	85	(50)
Comprehensive earnings	$1,484	$(30)	$2,239	$(73)

West Fraser Timber Co. Ltd

Condensed Consolidated Statements of Cash Flows

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

	Currency remeasurement **April 1 to June 30**		***Currency remeasurement*** **January 1 to June 30**	
Cash provided by (used in)	**2021**	**2020**	**2021**	**2020**
Operating activities				
Earnings	$ 1,488	$ 35	$ 2,153	$ 44
Adjustments				
Amortization	162	47	284	99
Finance expense	20	10	33	22
Foreign exchange (gain) loss	(4)	4	2	(6)
Export duty deposits	(8)	(1)	-	(7)
Export duties payable	25	-	25	-
Post-retirement expense	17	18	42	37
Contributions to post-retirement benefit plans	(13)	(11)	(26)	(21)
Tax provision	478	14	683	11
Income taxes (paid) received	(252)	65	(498)	64
Reforestation and decommissioning obligations	(9)	(9)	4	9
Other	13	(10)	-	(6)
Changes in non-cash working capital				
Receivables	(95)	(19)	(267)	(68)
Inventories	172	202	(49)	57
Prepaid expenses	(34)	(6)	(38)	(9)
Payables and accrued liabilities	(74)	(21)	-	1
	1,886	318	2,348	227
Financing activities				
Repayment of long-term debt	(665)	-	(667)	-
Proceeds from (repayment of) operating loans	-	(230)	-	(11)
Financing fees paid	-	-	(3)	-
Make-whole premium paid (note 6)	(60)	-	(60)	-

Finance expense paid	(22)	(11)	(25)	(18)
Repurchase of Common shares for cancellation	(233)	-	(326)	-
Issuance of Common shares	2	-	7	-
Dividends paid	(19)	(10)	(30)	(20)
Other	(3)	(1)	(5)	(1)
	(1,000)	(252)	(1,109)	(50)
Investing activities				
Acquired cash and short-term investments (note 3)	-	-	642	-
Additions to capital assets	(66)	(43)	(128)	(88)
Government assistance	-	1	3	1
Proceeds from disposal of capital assets	1	-	1	4
Other	1	1	-	1
	(64)	(41)	518	(82)
Change in cash	822	25	1,757	95
Foreign exchange effect on cash	9	2	13	(2)
Cash - beginning of period	1,400	66	461	-
Cash - end of period	$ 2,231	$ 93	$ 2,231	$ 93

West Fraser Timber Co. Ltd.
Notes to Condensed Consolidated Interim Financial Statements
(figures are in millions of United States 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 with more than 60 facilities in Canada, the United States ("U.S."), the United Kingdom ("U.K."), and Europe. From responsibly sourced and sustainably managed forest resources, the Company produces lumber, engineered wood products (OSB, LVL, MDF, plywood, and particleboard), pulp, newsprint, wood chips, other residuals and renewable energy. West Fraser's products are used in home construction, repair and remodelling, industrial applications, papers, tissue, and box materials. 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 ("TSX") and on the New York Stock Exchange ("NYSE") under the symbol WFG.

2. Basis of presentation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 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, 2020, audited annual consolidated financial statements, except for the change in functional and reporting currency and the business combination as discussed below. These condensed consolidated interim financial statements should be read in conjunction with our 2020 audited annual consolidated financial statements, which are presented in Canadian dollars.

Change in functional and reporting currency

Determination of functional currency may involve certain judgments to determine the primary economic environment. We reconsider the functional currency of our entities if there is a change in events and conditions which determine the primary economic environment. We have determined that as a result of the acquisition of Norbord Inc. (the "Acquisition"), the functional currency of our Canadian operations has changed from Canadian dollars ("CAD") to United States dollars ("USD"). We considered a variety of factors when making this decision, the most significant being an increase in the level of sales made in U.S. dollars, a significant portion of operating expenses being incurred in U.S. dollars, and increased levels of U.S. dollar financing.

Concurrent with the change in functional currency, we also changed our reporting currency from Canadian dollars to U.S. dollars. This change in reporting currency is to better reflect our business activities, following the increased presence in the U.S. as a result of the Acquisition and in connection with the listing of West Fraser's common shares on the NYSE on February 1, 2021.

A change in functional currency is applied prospectively and must be based on a change in economic facts, events and

conditions. In contrast, a change in reporting currency requires retroactive restatement. Both changes have specific transition rules under IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

As at and for the year ended December 31, 2020 and all prior periods, the functional and reporting currency of the Company was the Canadian dollar as described in our audited annual consolidated financial statements. The currency remeasurement of our results applied the IAS 21 transitional rules.

To prepare our December 31, 2020 and January 1, 2020 consolidated balance sheets, all assets and liabilities were translated into USD at the closing exchange rate on December 31, 2020 and December 31, 2019, as listed below. Equity items were retroactively restated at historical exchange rates to give effect to the change in reporting currency. The accounting policy used to translate the equity items prior to 2020 was to use the annual average exchange rate for each equity transaction that occurred in the year. For 2020, equity items were translated quarterly using the average exchange rate for each quarter.

To prepare our 2020 consolidated statement of earnings, all revenues and expenses were translated into USD at the average exchange rate for each quarter, with no adjustments to the measurement of or accounting for previously reported results. To prepare our 2020 consolidated statement of cash flow, all items were translated into USD at the average exchange rate for each quarter, with no adjustments to the measurement of or accounting for previously reported results.

The exchange rates used to reflect the change in reporting currency were as follows:

Canadian - USD exchange rate	**Q1-20**	**Q2-20**	**Q3-20**	**Q4-20**	**Q4-19**
Closing rate	0.7049	0.7338	0.7497	0.7854	0.7699
Average rate	0.7443	0.7221	0.7508	0.7676	n/a

Foreign currency translation effective from February 1, 2021

European operations

Assets and liabilities of foreign operations having a functional currency other than the USD are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are included as a component of shareholders' equity in other comprehensive earnings.

North American operations

Foreign currency-denominated (non-U.S. currencies) monetary assets and liabilities are translated using the rate of exchange prevailing at the reporting date. Gains or losses on translation of these items are included in earnings and reported other income or expense.

Foreign currency fluctuation effective from February 1, 2021

Our Canadian operations incur a portion of their operating expenses in Canadian dollars. Therefore, an increase in the value of the CAD relative to the USD increases the value of expenses in USD terms incurred by our Canadian operations, which reduces operating margin and the cash flow available to fund operations.

The impact on USD equivalent of net CAD revenues and expenses for a $0.01 change results in a pre-tax earnings adjustment of $18 million.

3. Norbord acquisition

Business combinations are accounted for using the acquisition method. We measure goodwill at the acquisition date as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed. Customer lists acquired in a business combination that qualify for separate recognition are recognized as intangible assets at their fair value and amortized straight-line over 10 years. Transaction costs in connection with business combinations are expensed as incurred. The determination of the fair value of the assets acquired and liabilities assumed requires management to use estimates that contain uncertainty and critical judgments including the remaining estimated useful life of non-monetary assets. We have engaged a valuations expert to prepare the fair value for Norbord's working capital, property, plant and equipment, and intangible assets. This work is expected to be complete by the end of the year.

On February 1, 2021, we acquired all of the outstanding shares of Norbord Inc. ("Norbord"). According to the terms of the Acquisition, Norbord shareholders received 0.675 of a West Fraser share for each Norbord share held. The result was the issuance of 54,484,188 Common shares of West Fraser at a price of US$63.90 per share (CAD$81.94 per share) for $3,482 million. The price per share was based on the West Fraser Common shares' closing price as listed on the TSX on January 29, 2021, and a CAD/USD exchange rate of 0.7798.

Included in the Acquisition are five OSB mills in Canada, seven OSB mills in the U.S., one OSB mill, one MDF plant and two

particleboard plants in the U.K., one OSB mill in Belgium, and their related corporate offices.

We have incorporated the North American operations of Norbord into our Panels segment and renamed that segment North America ("NA") Engineered Wood Products ("EWP"). This segment includes the results from North American operations for OSB, plywood, MDF, and LVL. In addition, we have identified a Europe EWP segment, which includes the results from the U.K. and Belgium operations for OSB, MDF and particleboard. The EWP segments have been separated due to differences in the operating region, customer base, profit margins and sales volumes.

The Acquisition has been accounted for as an acquisition of a business in accordance with IFRS 3, *Business Combinations.* We have allocated the purchase price based on our preliminary estimated fair value of the assets acquired and the liabilities assumed as follows:

West Fraser purchase consideration:	
Fair value of 54 million West Fraser shares issued	$3,482
Fair value of equity-based compensation instruments	24
	$3,506
Preliminary fair value of net assets acquired:	
Cash and short-term investments	$642
Accounts receivable	232
Inventories	339
Prepaid expenses	12
Property, plant and equipment	2,084
Timber	10
Other non-current assets	6
Other intangibles	17
Customer list intangible	470
Goodwill	1,374
Deferred income tax assets	3
Payables and accrued liabilities	(300)
Income tax payable	(144)
Current portion of reforestation and decommissioning obligations	(2)
Long-term debt	(720)
Other non-current liabilities	(37)
Deferred income tax liabilities	(480)
	$3,506

Factors contributing to goodwill include the Norbord workforce, assets that are geographically complementary to our existing facilities and offer close access to large markets and timber baskets. The Acquisition also provides increased scale and geographic diversification of manufacturing and markets. The goodwill of $1,374 million is not deductible for tax purposes.

The following tables represent Norbord's actual results included in our statement of earnings and the proforma results of operations for the six months ended June 30, 2021 assuming the Acquisition occurred onJanuary 1, 2021 and including purchase price accounting for the Acquisition.

Norbord results
($ millions except as otherwise indicated)

	Norbord results for February 1 to June 30, 2021[1]
Sales	2,187
Operating earnings	1,102[2]
Earnings	808[2]

1.Represents the results of the Norbord operations since the acquisition date that are included in our results.
2. Includes purchase price accounting impact of $93 million expense for the one-time inventory adjustment in cost of products sold.

Proforma January 1 to June 30, 2021 ("YTD-21") results
($ millions except as otherwise indicated)

	West Fraser Actual Results YTD-21	Norbord Proforma Results[1] Jan-21	West Fraser Proforma Results[1] YTD-21
Sales	6,122	277	6,399
Operating earnings	2,865[2]	115	2,980[2]
Earnings	2,153[2]	86	2,239[2]

1. These proforma results have been provided as required per IFRS 3 -*Business Combinations*. West Fraser proforma YTD-21 presents West Fraser's results as if the Acquisition was completed on January 1, 2021.
2. Includes purchase price accounting impact of $93 million expense for the one-time inventory adjustment in cost of products sold.

Balances that required significant fair value adjustments for purchase price accounting included inventory, property, plant and equipment, timber, and customer list intangibles. The resulting goodwill and deferred income tax liabilities were also significant.

Acquisition costs of $16 million have been expensed in selling, general and administration.

4. Seasonality of operations

Our operating results are subject to seasonal fluctuations that may impact quarter-to-quarter comparisons. Consequently, interim operating results may not proportionately reflect operating results for a full year.

Market demand varies seasonally, as homebuilding activity and repair-and-remodelling work are generally stronger in the spring and summer months. Extreme weather conditions, including wildfires in Western Canada and hurricanes in the U.S. South, may periodically affect operations, including logging, manufacturing and transportation. Log inventory is typically built up in the Northern regions of North America and Europe during the winter to sustain our lumber and EWP production during the second quarter when logging is curtailed due to wet and inaccessible land conditions. This inventory is generally consumed in the spring and summer months.

5. Inventories

At June 30, 2021, no inventory valuation reserve was recognized (March 31, 2021 - nil; December 31, 2020 -$2 million; June 30, 2020 - $10 million; January 1, 2020 - $30 million) to reflect net realizable value being lower than cost.

	June 30, 2021	*Currency remeasurement* December 31, 2020	*Currency remeasurement* January 1, 2020
Manufactured products	$461	$270	$262
Logs and other raw materials	292	189	174
Processing materials and supplies	213	119	125
	$966	$578	$561

6. **Operating loans and long-term debt**

Operating loans

As at June 30, 2021, our revolving lines of credit consist of a$686 million (CAD$850 million) committed revolving credit facility which matures August 2024, a $450 million committed revolving credit facility which matures April 2024, a $25 million demand line of credit dedicated to our U.S. operations and a $6 million (CAD$8 million) demand line of credit dedicated to our jointly-owned newsprint operation.

At June 30, 2021, our revolving credit facilities were undrawn and the associated deferred financing costs of $4 million were recorded in other assets.

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

In addition, we have credit facilities totalling $121 million dedicated to letters of credit, of which$96 million (CAD$120 million) is committed to our Canadian operations. On June 30, 2021, our letter of credit facilities supported$59 million open letters of credit.

All debt is unsecured except the $6 million (CAD$8 million) jointly-owned newsprint operation demand line of credit, which is secured by that joint operation's current assets.

On July 28, 2021, we completed an amendment to our revolving credit facilities. Our $686 million (CAD$850 million) and $450 million revolving credit facilities have been combined into a single $1 billion committed revolving credit facility with a five-year term. There were no other significant changes to the terms or conditions of the credit facilities.

Long-term debt

	June 30, 2021	*Currency remeasurement* December 31, 2020	*Currency remeasurement* January 1, 2020
Senior notes due October 2024; interest at 4.35%	$ 300	$ 300	$ 300
Term loan due August 2024; floating interest rate	200	200	200
Note payable due March 2021; interest at 2%	-	7	7
Notes payable	1	2	3
	501	509	510
Less: deferred financing costs	(2)	(2)	(3)
Less: current portion	-	(7)	(7)
	$ 499	$ 500	$ 500

As part of the Acquisition, we assumed Norbord's $315 million senior notes due April 2023 (the "2023 Notes"), bearing interest at 6.25% and $350 million senior notes due July 2027 (the "2027 Notes"), bearing interest at 5.75%. The purchase price fair value adjustment resulted in an increase of $55 million for these notes.

On March 2, 2021, we made a mandatory change of control offer for 2023 Notes and 2027 Notes, which expired on April 1, 2021. As a result of the change of control offer, $1 million of the 2023 Notes and $1 million of the 2027 Notes were redeemed and were repaid in the second quarter of 2021. On April 6, 2021, we elected to redeem the remaining 2027 Notes, which redemption occurred on May 6, 2021. On May 6, 2021, we elected to redeem the remaining 2023 Notes, which redemption occurred on June 7, 2021. After the completion of the redemptions of the 2023 Notes and the 2027 Notes, the principal value of long-term debt was reduced by $665 million from the date of the Acquisition. An additional make-whole premium of $60 million was paid on redemption resulting in a $5 million loss on settlement of the debt recorded within finance expense as the carrying value of $720 million was derecognized.

The fair value of the long-term debt at June 30, 2021, was $512 million (December 31, 2020 - $524 million) based on rates available to us at the balance sheet date for long-term debt with similar terms and remaining maturities.

Interest rate swap contracts

At June 30, 2021, the Company had interest rate swap contracts to pay fixed interest rates (weighted average interest rate of 1.14%) and receive variable interest rates equal to 3-month LIBOR on $200 million notional principal amount of indebtedness. These agreements terminate in August 2024.

The agreements are accounted for as a derivative, and the gain or loss related to changes in the fair value is included in other income. For the six months ended June 30, 2021, a $3 million gain was recorded.

7. **Other liabilities**

	June 30, 2021	*Currency remeasurement* December 31, 2020	*Currency remeasurement* January 1, 2020
Post-retirement (note 8)	$ 223	$ 295	$ 242
Long-term portion of reforestation	67	58	57
Long-term portion of decommissioning	22	25	24
Export duties payable (note 14)	25	-	-
Other	43	30	27

	$380	$408	$350

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 the 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:

	June 30, 2021	***Currency remeasurement*** **December 31, 2020**	***Currency remeasurement*** **January 1, 2020**
Projected benefit obligations	$(1,598)	$(1,471)	$(1,305)
Fair value of plan assets	1,384	1,181	1,067
	$(214)	$(290)	$(238)
Represented by			
Post-retirement assets	$9	$5	$4
Post-retirement liabilities	(223)	(295)	(242)
	$(214)	$(290)	$(238)

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

	June 30, 2021	**March 31, 2021**	**December 31, 2020**
Discount rate	3.00%	3.24%	2.69%
Future compensation rate increase	3.62%	3.62%	3.65%

For the six months ended June 30, 2021, we recognized in other comprehensive earnings a before tax gain of $114 million to reflect the changes in the valuation of the post-retirement benefit plans.

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

	April 1 to June 30		**January 1 to June 30**	
		Currency remeasurement		***Currency remeasurement***
	2021	**2020**	**2021**	**2020**
Actuarial (loss) gain	$(5)	$(157)	$114	$(66)
Tax recovery (provision)	1	40	(29)	16
	$(4)	$(117)	$85	$(50)

9. Share Capital

Authorized

400,000,000 Common shares, without par value
20,000,000 Class B Common shares, without par value
10,000,000 Preferred shares, issuable in series, without par value

Issued

	June 30, 2021		**December 31, 2020**	
				Currency remeasurement
	Number	**Amount**	**Number**	**Amount**

Common	116,444,176	$3,820	66,397,144	$481
Class B Common	2,281,478	-	2,281,478	-
Total Common	118,725,654	$3,820	68,678,622	$481

As part of the Acquisition, we issued 54,484,188 of West Fraser Common shares at a price of US$63.90 per share (CAD$81.94 per share) for $3,482 million. The price per share is based on the West Fraser Common shares' closing price as listed on the TSX on January 29, 2021, and a CAD/USD exchange rate of 0.7798.

For the first six months ended June 30, 2021, we issued 128,429 Common shares of the Company under our share option plans and 2,946 under our employee share purchase plan.

On April 20, 2021, our board of directors approved a change to the assumed Norbord option plans ("Assumed Option Plans") to allow holders the right to elect to receive a cash payment in lieu of exercising an option to purchase Common shares. The change required us to fair value the Assumed Option Plan on April 20, 2021 and convert from equity-based accounting to cash-settled accounting for the Assumed Option Plan. Cash-settled accounting is consistent with the West Fraser option plan. Any changes in fair value from April 20, 2021, onwards will result in an expense or recovery over the vesting period in the same manner as the rest of our Plans. This change to the Assumed Option Plans did not in any way affect the value of the instruments to the holders.

On February 17, 2021, we renewed our normal course issuer bid ("NCIB") allowing us to acquire an additional 6,044,000 Common shares for cancellation until the expiry of the bid on February 16, 2022. This represents approximately 5% of the Company's issued and outstanding Common shares. On June 11, 2021, we amended our NCIB, allowing us to acquire an additional 3,538,470 Common shares for an aggregate of 9,582,470 Common shares.

For the six months ended June 30, 2021, we have repurchased 4,568,531 Common shares at an average price ofUS$71.37 (CAD$88.12) per share under this NCIB.

Substantial Issuer Bid

On July 12, 2021, we commenced a substantial issuer bid ("SIB") under which the Company has offered to purchase from shareholders for cancellation up to CAD$1.0 billion of Common shares. The SIB will proceed by way of a "modified Dutch auction" procedure with a tender price range from CAD$85.00 to CAD$98.00 per share. The SIB will expire on August 17, 2021, unless extended or withdrawn. Upon expiry of the SIB, the Company will determine the lowest purchase price (which will be not less than CAD$85.00 per share and not more than CAD$98.00 per share) that will allow it to purchase the maximum number of shares properly tendered to the SIB, and not properly withdrawn, having an aggregate purchase price not exceeding CAD$1.0 billion. We have suspended share repurchases under our current NCIB, and no NCIB purchases will be made until after the expiration of the SIB if and when we determine to recommence repurchases under the NCIB.

10. Other

	April 1 to June 30		**January 1 to June 30**	
	2021	***Currency remeasurement*** **2020**	**2021**	***Currency remeasurement*** **2020**
Foreign exchange gain (loss)	$ 4	$ (5)	$ (2)	$ 9
Other	(4)	3	6	(2)
	$ -	$ (2)	$ 4	$ 7

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:

	April 1 to June 30		**January 1 to June 30**	
	2021	***Currency remeasurement*** **2020**	**2021**	***Currency remeasurement*** **2020**
Income tax expense at statutory rate of 27%	$ (531)	$ (13)	$ (766)	$ (15)
Rate differential between jurisdictions	56	(3)	84	2
Non-taxable amounts	-	2	(2)	2

Other		(3)		-		1		-
	$	(478)	$	(14)	$	(683)	$	(11)

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 cash-settled share option expense (recovery) charged to earnings and after deducting a notional charge for cash-settled share options 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**	
	2021	***Currency remeasurement*** **2020**	**2021**	***Currency remeasurement*** **2020**
Earnings				
Basic	$ 1,488	$ 35	$ 2,153	$ 44
Cash-settled share option expense (recovery)	7	9	16	(4)
Equity-settled share option adjustment	(1)	-	(4)	(2)
Diluted	$ 1,494	$ 44	$ 2,165	$ (38)
Weighted average number of shares (thousands)				
Basic	120,696	68,670	108,183	68,668
Share options	619	77	638	94
Diluted	121,315	68,747	108,821	68,762
Earnings per share (dollars)				
Basic	$ 12.32	$ 0.51	$ 19.90	$ 0.64
Diluted	$ 12.32	$ 0.64	$ 19.90	$ 0.55

13. Segmented information

	Lumber	**NA EWP**	**Pulp & Paper**	**Europe EWP**	**Corporate & Other**	**Total**
April 1, 2021 to June 30, 2021						
Sales						
To external customers	$1,808	$1,577	$ 216	$ 178	$ -	$3,779
To other segments	31	4	-	-	(35)	-
	$1,839	$1,581	$ 216	$ 178	$ (35)	$3,779
Cost of products sold	(619)	(384)	(144)	(123)	35	(1,235)
Freight and other distribution costs	(118)	(72)	(37)	(11)	-	(238)
Export duties, net	(73)	-	-	-	-	(73)
Amortization	(39)	(89)	(8)	(24)	(2)	(162)
Selling, general and administration	(35)	(19)	(10)	(5)	(4)	(73)
Equity-based compensation	-	-	-	-	(12)	(12)
Operating earnings	$955	$1,017	$ 17	$ 15	$ (18)	$1,986
Finance expense, net	(5)	(1)	(1)	(1)	(12)	(20)
Other	(10)	-	2	-	8	-
Earnings before tax	$940	$1,016	$ 18	$ 14	$ (22)	$1,966

Currency remeasurement

April 1, 2020 to June 30, 2020						
Sales						
To external customers	$678	$85	$ 158	$ -	$ -	$921
To other segments	26	2	-	-	(28)	-
	$704	$87	$ 158	$ -	$ (28)	$921
Cost of products sold	(472)	(58)	(113)	-	28	(615)
Freight and other distribution costs	(93)	(9)	(31)	-	-	(133)
Export duties, net	(30)	-	-	-	-	(30)
Amortization	(35)	(3)	(7)	-	(2)	(47)
Selling, general and administration	(26)	(5)	(7)	-	(1)	(39)
Equity-based compensation	-	-	-	-	4	4
Operating earnings	$48	$12	$ -	$ -	$ 1	$61
Finance expense, net	(8)	(1)	(1)	-	-	(10)
Other	(3)	5	(2)	-	(2)	(2)
Earnings before tax	$37	$16	$ (3)	$ -	$ (1)	$49

	Lumber	NA EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
January 1, 2021 to June 30, 2021						
Sales						
To external customers	$3,083	$2,356	$ 393	$ 290	$ -	$6,122
To other segments	56	6	-	-	(62)	-
	$3,139	$2,362	$ 393	$ 290	$ (62)	$6,122
Cost of products sold	(1,109)	(748)	(269)	(210)	62	(2,274)
Freight and other distribution costs	(209)	(120)	(70)	(20)	-	(419)
Export duties, net	(110)	-	-	-	-	(110)
Amortization	(78)	(143)	(17)	(41)	(5)	(284)
Selling, general and administration	(71)	(35)	(18)	(10)	(17)	(151)
Equity-based compensation	-	-	-	-	(19)	(19)
Operating earnings	$1,562	$1,316	$ 19	$ 9	$ (41)	$2,865
Finance expense, net	(10)	(2)	(3)	(1)	(17)	(33)
Other	(3)	-	3	-	4	4
Earnings before tax	$1,549	$1,314	$ 19	$ 8	$ (54)	$2,836
Currency remeasurement						
January 1, 2020 to June 30, 2020						
Sales						
To external customers	$1,300	$188	$ 323	$ -	$ -	$1,811
To other segments	47	3	-	-	(50)	-
	$1,347	$191	$ 323	$ -	$ (50)	$1,811
Cost of products sold	(925)	(140)	(230)	-	50	(1,245)
Freight and other distribution costs	(175)	(20)	(63)	-	-	(258)
Export duties, net	(56)	-	-	-	-	(56)
Amortization	(74)	(6)	(15)	-	(4)	(99)
Selling, general and administration	(55)	(10)	(15)	-	-	(80)
Equity-based compensation	-	-	-	-	(3)	(3)
Operating earnings	$62	$15	$ -	$ -	$ (7)	$70
Finance expense, net	(17)	(2)	(3)	-	-	(22)
Other	9	5	1	-	(8)	7
Earnings before tax	$54	$18	$ (2)	$ -	$ (15)	$55

The geographic distribution of external sales is as follows[1]:

	April 1 to June 30	January 1 to June 30

	2021	*Currency remeasurement* 2020	2021	*Currency remeasurement* 2020
Canada	$629	$157	$1,036	$333
U.S.	2,726	568	4,362	1,127
China	136	135	254	239
Other Asia	102	57	166	101
Europe[2]	184	4	301	9
Other	2	-	3	2
	$3,779	$921	$6,122	$1,811

1. Sales distribution is based on the location of product delivery.
2. Includes sales to the U.K.

14. Countervailing and antidumping duty dispute

Additional details can be found in Note 25 - *Countervailing ("CVD") and antidumping ("ADD") duty dispute* of our 2020 annual audited consolidated financial statements.

Accounting policy for duties

The CVD and ADD rates apply retroactively for each Period of Investigation ("POI"). We record CVD as export duty expense at the cash deposit rate until an Administrative Review ("AR") finalizes a new applicable rate for each POI. We record ADD as export duty expense by estimating the rate to be applied for each POI by using our actual results and the same calculation methodology as the United States Department of Commerce ("USDOC") and adjust when an AR finalizes a new applicable rate for each POI. The difference between the cash deposits and export duty expense is recorded on our balance sheet as export duty deposits or other liabilities as applicable, along with any true-up adjustments to finalized rates.

The difference between the cash deposit amount and the amount that would have been due based on the final AR rate will incur interest based on the U.S. federally published interest rate. We record interest income on our duty deposits receivable based on this rate and will record an interest expense if the balance becomes a liability.

Developments in CVD and ADD rates

On April 24, 2017, the USDOC issued its preliminary determination in the CVD investigation, and on June 26, 2017, the USDOC issued its preliminary determination in the ADD investigation. On December 4, 2017, the duty rates were revised. On November 24, 2020, the USDOC finalized these rates based on its first AR of the first POI as listed below. The USDOC will continue to revise rates as it finalizes each AR POI.

Effective November 30, 2020 for ADD and December 1, 2020 for CVD, shipments from Canada to the U.S. were subject to the new cash deposit rate of 7.57% for CVD and 1.40% for ADD. The cash deposit rate will change each time the USDOC finalizes a new duty rate for each AR POI.

On May 20, 2021, the USDOC released the preliminary results from AR2 covering the 2019 calendar year, which indicated a rate of 4.80% for CVD and 6.58% for ADD for West Fraser. The duty rates are subject to an appeal process, and we will record an adjustment once the rates are finalized. If the AR2 rates were to be confirmed, it would result in a USD recovery of $54 million for the POI covered by AR2. This adjustment would be in addition to the amounts already recorded on our balance sheet. If these rates are finalized, our combined cash deposit rate would be revised to 11.38%.

The respective Cash Deposit Rates, the AR POI Final Rate, and the West Fraser Estimated ADD Rate for each period are as follows:

Effective dates for CVD	**Cash Deposit Rate**	**AR POI Final Rate**
AR1 POI		
April 28, 2017 - August 24, 2017[1]	24.12%	6.76%[3]
August 25, 2017 - December 27, 2017[1]	-	-
December 28, 2017 - December 31, 2017[2]	17.99%	6.76%[3]
January 1, 2018 - December 31, 2018	17.99%	7.57%[3]

AR2 POI		
January 1, 2019 - December 31, 2019	17.99%	n/a[5]
AR3 POI		
January 1, 2020 - November 30, 2020	17.99%	n/a[6]
December 1, 2020 - December 31, 2020[4]	7.57%	n/a[6]
AR4 POI		
January 1, 2021 - June 30, 2021	7.57%	n/a[7]

1. On April 24, 2017, the USDOC issued its preliminary rate in the CVD investigation. The requirement that we make cash deposits for CVD was suspended on August 24, 2017, until the USDOC published the revised rate.
2. On December 4, 2017, the USDOC revised our CVD Cash Deposit Rate effective December 28, 2017.
3. On February 3, 2020, the USDOC issued a preliminary CVD rate and, on November 24, 2020, a final CVD rate for the AR1 POI. This table only reflects the final rate.
4. Effective December 1, 2020, shipments from Canada to the U.S. were subject to the new Cash Deposit rate of 7.57% for CVD.
5. On May 20, 2021 the USDOC announced the CVD preliminary rate of 4.80% for AR2. The duty rates are subject to an appeal process, and we will record an adjustment once the rates are finalized sometime in the fourth quarter of 2021.
6. The CVD rate for the AR3 POI will be adjusted when AR3 is complete and the USDOC finalizes the rate, which is not expected until 2022.
7. The CVD rate for the AR4 POI will be adjusted when AR4 is complete and the USDOC finalizes the rate, which is not expected until 2023.

Effective dates for ADD	**Cash Deposit Rate**	**AR POI Final Rate**	**West Fraser Estimated Rate**
AR1 POI			
June 30, 2017 - December 3, 2017[1]	6.76%	1.40%[3]	1.46%
December 4, 2017 - December 31, 2017[2]	5.57%	1.40%[3]	1.46%
January 1, 2018 - December 31, 2018	5.57%	1.40%[3]	1.46%
AR2 POI			
January 1, 2019 - December 31, 2019	5.57%	n/a [5]	4.65%
AR3 POI			
January 1, 2020 - November 29, 2020	5.57%	n/a[6]	3.40%
November 30, 2020 – December 31, 2020[4]	1.40%	n/a[6]	3.40%
AR4 POI			
January 1, 2021 - June 30, 2021	1.40%	n/a[7]	4.09%

1. On June 26, 2017, the USDOC issued its preliminary rate in the ADD investigation effective June 30, 2017.
2. On December 4, 2017, the USDOC revised our ADD Cash Deposit Rate effective December 4, 2017.
3. On February 3, 2020, the USDOC issued a preliminary ADD Rate and, on November 24, 2020, a final CVD rate for the AR1 POI. This table only reflects the final rate.
4. Effective November 30, 2020, shipments from Canada to the U.S. were subject to the new Cash Deposit Rate of 1.40% for ADD.
5. On May 20, 2021, the USDOC announced the ADD preliminary rate of 6.58% for AR2. The duty rates are subject to an appeal process, and we will record an adjustment once the rates are finalized sometime in the fourth quarter of 2021.
6. The ADD rate for the AR3 POI will be adjusted when AR3 is complete and the USDOC finalizes the rate, which is not expected until 2022.
7. The ADD rate for the AR4 POI will be adjusted when AR4 is complete and the USDOC finalizes the rate, which is not expected until 2023.

Impact on earnings

The following table reconciles our cash deposits paid during the period to the amount recorded in our earnings statement.

	April 1 to June 30		**January 1 to June 30**	
		Currency remeasurement		***Currency remeasurement***
	2021	**2020**	**2021**	**2020**

Cash deposits paid[1]	$(55)	$(31)	$(84)	$(63)
Adjust to West Fraser Estimated ADD rate[2]	(18)	1	(26)	7
Export duties, net[3]	$(73)	$(30)	$(110)	$(56)

1.Represents combined CVD and ADD cash deposit rate of 8.97% for Q1 and Q2 of 2021 and 23.56% for Q1 and Q2 of 2020.
2.Represents adjustment to West Fraser Estimated ADD rate of 4.09% for Q2-21, 3.77% for Q1-21 and 2.27% for Q2-20.
3. The total represents the combined CVD cash deposit rate and West Fraser Estimated ADD rate of 11.66% for Q2-21, 11.34% for Q1-21, and 20.26% for Q2-20.

Impact on the balance sheet

Each period of investigation is subject to independent administrative reviews performed by the USDOC, and the results must be accounted for separately.
Export duty deposits receivable is represented by:

Export duty deposits		**January 1 to June 30 2021**		**Currency remeasurement January 1 to December 31 2020**
Beginning balance	$	178	$	61
Export duties recognized as long-term duty deposits receivable related to AR1, AR2, and AR3		-		104
Interest recognized on the long-term duty deposits receivable		2		13
Ending balance	$	180	$	178

For AR4, we have recorded a long-term duty payable related to ADD for the difference between the 1.40% Cash Deposit Rate and our West Fraser Estimated Rate of 4.09%. However, the final liabilities associated with the export duties is not determined until the completion of the administrative review performed by the USDOC.

Export duties payable is represented by:

Export duties payable (note 7)		**January 1 to June 30 2021**
Beginning balance	$	-
Export duties recognized as long-term duties payable related to AR4		(25)
Ending balance	$	(25)

As at June 30, 2021, export duties paid and payable on deposit with the USDOC are$621 million.

AR2, AR3 and AR4

During the second quarter of 2021, the USDOC issued the preliminary duty rates for AR2 (POI January 1 to December 31, 2019) and these rates are expected to be finalized by the fourth quarter of 2021. AR3 (POI January 1 to December 31, 2020) commenced in April 2021, and the rates are expected to be finalized sometime in 2022. AR4 (POI January 1 to December 31, 2021) is expected to commence in 2022 with the results finalized in 2023. We have been selected as a mandatory respondent for AR3, which will result in West Fraser continuing to be subject to a company-specific rate.

Appeals

Notwithstanding the deposit rates assigned under the investigations, our final liability for CVD and ADD will not be determined until each annual administrative review process is complete and related appeal processes are concluded.

View original content:https://www.prnewswire.com/news-releases/west-fraser-announces-2021-second-quarter-results-and-2021-virtual-investor-event-301343618.html

SOURCE West Fraser Timber Co. Ltd.

For further information: West Fraser Investors: Robert B. Winslow, CFA, Director, Investor Relations & Corporate Development,

Tel. (416) 777-4426, shareholder@westfraser.com; West Fraser Media: Heather Colpitts, Director, Corporate Affairs, Tel. (416) 643-8838, shareholder@westfraser.com

---

https://westfraser.mediaroom.com/2021-07-28-West-Fraser-Announces-2021-Second-Quarter-Results-and-2021-Virtual-Investor-Event