



**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
<b>Assets</b>			
<b>Current assets</b>			
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
<b>Property, plant and equipment</b>	3,625	1,657	1,648
<b>Timber licences</b>	375	372	380
<b>Goodwill and other intangibles</b>	2,426	591	594
<b>Export duty deposits</b> (note 14)	180	178	61
<b>Other assets</b>	42	35	20
<b>Deferred income tax assets</b>	5	9	8
	\$ 10,711	\$ 4,178	\$ 3,594
<b>Liabilities</b>			
<b>Current liabilities</b>			
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
<b>Long-term debt</b> (note 6)	499	500	500
<b>Other liabilities</b> (note 7)	380	408	350
<b>Deferred income tax liabilities</b>	718	264	195
	2,872	1,700	1,689
<b>Shareholders' Equity</b>			
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)

	April 1 to June 30		January 1 to June 30	
	Currency remeasurement		Currency remeasurement	
	2021	2020	2021	2020
<b>Share capital</b>				
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
<b>Contributed surplus</b>				
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	\$ -	\$ -	\$ -	\$ -
<b>Accumulated other comprehensive earnings</b>				
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)
<b>Retained earnings</b>				
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
<b>Shareholders' Equity</b>	<b>\$ 7,839</b>	<b>\$ 1,813</b>	<b>\$ 7,839</b>	<b>\$ 1,813</b>



**West Fraser Timber Co. Ltd.**

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

	April 1 to June 30		January 1 to June 30	
	2021	Currency remeasurement 2020	2021	Currency remeasurement 2020
<b>Sales</b>	\$ 3,779	\$ 921	\$ 6,122	\$ 1,811
<b>Costs and expenses</b>				
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
<b>Operating earnings</b>	1,986	61	2,865	70
Finance expense	(20)	(10)	(33)	(22)
Other (note 10)	-	(2)	4	7
<b>Earnings before tax</b>	1,966	49	2,836	55
Tax provision (note 11)	(478)	(14)	(683)	(11)
<b>Earnings</b>	\$ 1,488	\$ 35	\$ 2,153	\$ 44
<b>Earnings per share (dollars) (note 12)</b>				
Basic	\$ 12.32	\$ 0.51	\$ 19.90	\$ 0.64
Diluted	\$ 12.32	\$ 0.51	\$ 19.90	\$ 0.55
<b>Comprehensive earnings</b>				
Earnings	\$ 1,488	\$ 35	\$ 2,153	\$ 44
<b>Other comprehensive earnings</b>				
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)
<b>Comprehensive earnings</b>	\$ 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)

Cash provided by (used in)	Currency remeasurement		Currency remeasurement	
	April 1 to June 30		January 1 to June 30	
	2021	2020	2021	2020
<b>Operating activities</b>				
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
<b>Financing activities</b>				
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)
<b>Investing activities</b>				
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)
<b>Change in cash</b>	822	25	1,757	95
<b>Foreign exchange effect on cash</b>	9	2	13	(2)
<b>Cash - beginning of period</b>	1,400	66	461	-
<b>Cash - end of period</b>	\$ 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)*

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**1. Nature of operations**

West Fraser Timber Co. Ltd. ("West Fraser", "we", "us" or "our") is a diversified wood products company 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 remodeling, 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:

<b>Canadian - USD exchange rate</b>	<b>Q1-20</b>	<b>Q2-20</b>	<b>Q3-20</b>	<b>Q4-20</b>	<b>Q4-19</b>
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:

<b>West Fraser purchase consideration:</b>		
Fair value of 54 million West Fraser shares issued	\$	3,482
Fair value of equity-based compensation instruments		24
	\$	3,506
<b>Preliminary fair value of net assets acquired:</b>		
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 on January 1, 2021 and including purchase price accounting for the Acquisition.

**Norbord results**

(\$ millions except as otherwise indicated)

	<b>Norbord results for February 1 to June 30, 2021<sup>1</sup></b>
Sales	2,187
Operating earnings	1,102 <sup>2</sup>
Earnings	808 <sup>2</sup>

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)

	<b>West Fraser Actual Results YTD-21</b>	<b>Norbord Proforma Results<sup>1</sup> Jan-21</b>	<b>West Fraser Proforma Results<sup>1</sup> YTD-21</b>
Sales	6,122	277	6,399
Operating earnings	2,865 <sup>2</sup>	115	2,980 <sup>2</sup>
Earnings	2,153 <sup>2</sup>	86	2,239 <sup>2</sup>

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.

	<b>June 30, 2021</b>	<b>Currency remeasurement December 31, 2020</b>	<b>Currency remeasurement January 1, 2020</b>
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

	<b>June 30, 2021</b>	<b>Currency remeasurement December 31, 2020</b>	<b>Currency remeasurement January 1, 2020</b>
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
	<b>\$ 380</b>	<b>\$ 408</b>	<b>\$ 350</b>

### 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:

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

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	
	2021	Currency remeasurement 2020	2021	Currency remeasurement 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	
	Number	Amount	Number	Currency remeasurement 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 of US\$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
<b>Earnings</b>				
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)
<b>Weighted average number of shares (thousands)</b>				
Basic	120,696	68,670	108,183	68,668
Share options	619	77	638	94
Diluted	121,315	68,747	108,821	68,762
<b>Earnings per share (dollars)</b>				
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
<b>April 1, 2021 to June 30, 2021</b>						
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
<b>January 1, 2021 to June 30, 2021</b>						
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<sup>1</sup>:

	April 1 to June 30		January 1 to June 30	
	Currency remeasurement		Currency remeasurement	
	2021	2020	2021	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 <sup>2</sup>	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
<b>AR1 POI</b>		
April 28, 2017 - August 24, 2017 <sup>1</sup>	24.12%	6.76% <sup>3</sup>
August 25, 2017 - December 27, 2017 <sup>1</sup>	-	-
December 28, 2017 - December 31, 2017 <sup>2</sup>	17.99%	6.76% <sup>3</sup>
January 1, 2018 - December 31, 2018	17.99%	7.57% <sup>3</sup>
<b>AR2 POI</b>		
January 1, 2019 - December 31, 2019	17.99%	n/a <sup>5</sup>
<b>AR3 POI</b>		
January 1, 2020 - November 30, 2020	17.99%	n/a <sup>6</sup>
December 1, 2020 - December 31, 2020 <sup>4</sup>	7.57%	n/a <sup>6</sup>
<b>AR4 POI</b>		
January 1, 2021 – June 30, 2021	7.57%	n/a <sup>7</sup>

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
<b>AR1 POI</b>			
June 30, 2017 - December 3, 2017 <sup>1</sup>	6.76%	1.40% <sup>3</sup>	1.46%
December 4, 2017 - December 31, 2017 <sup>2</sup>	5.57%	1.40% <sup>3</sup>	1.46%
January 1, 2018 - December 31, 2018	5.57%	1.40% <sup>3</sup>	1.46%
<b>AR2 POI</b>			
January 1, 2019 - December 31, 2019	5.57%	n/a <sup>5</sup>	4.65%
<b>AR3 POI</b>			
January 1, 2020 - November 29, 2020	5.57%	n/a <sup>6</sup>	3.40%
November 30, 2020 – December 31, 2020 <sup>4</sup>	1.40%	n/a <sup>6</sup>	3.40%
<b>AR4 POI</b>			
January 1, 2021 – June 30, 2021	1.40%	n/a <sup>7</sup>	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	
	2021	Currency remeasurement 2020	2021	Currency remeasurement 2020
Cash deposits paid <sup>1</sup>	\$ (55)	\$ (31)	\$ (84)	\$ (63)
Adjust to West Fraser Estimated ADD rate <sup>2</sup>	(18)	1	(26)	7
Export duties, net <sup>3</sup>	\$ (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:

	January 1 to June 30 2021	Currency remeasurement January 1 to December 31 2020
Export duty deposits		
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:

	January 1 to June 30 2021
Export duties payable (note 7)	
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.