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NEWS RELEASE

WEST FRASER TIMBER CO. LTD.

Wednesday, July 28, 2021

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

Vancouver, B.C. - 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.

Management's Discussion and Analysis

Introduction

This discussion and analysis by management ("MD&A") of West Fraser Timber Co. Ltd.'s ("West Fraser", the "Company" or “we,” “us,” or “our”) financial performance for the three and six months ended June 30, 2021, should be read in conjunction with: (i) our unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2021 (“Financial Statements”); (ii) our audited annual consolidated financial statements for the year ended December 31, 2020, which are presented in Canadian dollars; and (iii) our related 2020 annual MD&A (“2020 Annual MD&A”).

Unless otherwise indicated, the financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”). This MD&A uses various Non-IFRS measures, including “Adjusted EBITDA”, “available liquidity”, and “total and net debt to total capital ratio”. An advisory with respect to the use of these Non-IFRS measures is set out in the section titled “Non-IFRS Measures”.

This MD&A includes statements that are forward-looking statements within the meaning of the *U.S. Private Securities Litigation Reform Act of 1995* and forward-looking information within the meaning of applicable Canadian provincial securities laws. Please refer to the cautionary note entitled “Forward-Looking Statements” for a discussion of these forward-looking statements and the risks that impact on these forward-looking statements. Readers are also referred to the “Risks and Uncertainties” discussion contained in the Company’s 2020 Annual MD&A and the “Risk Factors” in our final base shelf prospectus dated April 12, 2021 (“Base Shelf Prospectus”). This information has been filed with Canadian provincial securities regulatory authorities and the U.S. Securities and Exchange Commission (the “SEC”). You may access this information on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com and on the Electronic Data Gathering, Analysis and Retrieval System (“EDGAR”) section of the SEC website at www.sec.gov/edgar.shtml.

Dollar amounts are expressed in the United States (“U.S.”) currency unless otherwise indicated and reflect the change in our functional and reporting currency to the U.S. dollar effective February 1, 2021. Select unaudited historical financial information in U.S. dollars is available on our website at www.westfraser.com. This historical financial information presents selected financial information derived from our historical financial statements which have been presented in Canadian dollars for financial periods through to our year ended December 31, 2020.

Where this MD&A includes information from third parties, we believe that such information (including information from industry and general publications and surveys) is generally reliable. However, we have not independently verified any such third-party information and cannot assure you of its accuracy or completeness.

This MD&A uses the following terms as described in our most recent Annual Information Form: “SPF” (spruce/pine/balsam fir lumber), “SYP” (southern yellow pine lumber), “OSB” (oriented strand board), “MDF” (medium-density fibreboard), “LVL” (laminated veneer lumber), “BCTMP” (bleached chemithermomechanical pulp), and “NBSK” (northern bleached softwood kraft pulp). Defined acronyms include: “CAD” (Canadian dollars); “USD or US$” (United States dollar); “U.K.” (United Kingdom); “U.S.” (United States); “NA” (North America); “NA EWP” (North America engineered wood products), “EWP” (engineered wood products); “ADD” (antidumping duty); “USDOC” (United States Department of Commerce); “USITC” (United States International Trade Commission); “CVD” (countervailing duty); “AR” (administrative review); “POI” (period of investigation); “NCIB” (normal course issuer bid); “SIB” (substantial issuer bid); “Norbord” (Norbord Inc.); “Q1-21” (three months ended March 31, 2021 or for balance sheet amounts as at March 31, 2021); “Q2-21 or Q2-20” (three months ended June 30, 2021 or 2020 and for balance sheet amounts as at June 30, 2021 or 2020); “YTD-21 or YTD-20” (six months ended June 30, 2021 or June 30, 2020); “TSX” (Toronto Stock Exchange); “NYSE” (New York Stock Exchange); “Acquisition” (February 1, 2021 Norbord Inc. Acquisition); “2023 Notes” (Norbord Inc.’s 6.25% senior notes due April 2023); and “2027 Notes” (Norbord Inc.’s 5.75% senior notes due July 2027).

The information in this MD&A is as at July 28, 2021, unless otherwise indicated.

Our Business and Strategy

West Fraser is a diversified wood products company producing lumber, OSB, LVL, MDF, plywood, particleboard, pulp, newsprint, wood chips, other residuals and energy with facilities across Canada, in the United States and in Europe. As a result of our acquisition of Norbord on February 1, 2021, we are now a leading producer of OSB. In addition to OSB, Norbord manufactures particleboard, MDF and related value-added products. Our business is now comprised of 33 lumber mills, 14 OSB facilities, six renewable energy facilities, five pulp and paper mills, three plywood facilities, three MDF facilities, two particleboard facilities, one LVL facility, one treated wood facility, and one veneer facility. We employ approximately 11,000 people.

Our goal at West Fraser is to generate strong financial results through the business cycle, relying on our committed workforce, the quality of our assets and our well-established people and operating culture. This culture emphasizes cost control in all aspects of the business and operating in a responsible, financially conservative and prudent manner.

The North American wood products industry is cyclical and periodically faces difficult market conditions and serious challenges. Our earnings are sensitive to changes in world economic conditions, primarily those in North America, Asia and Europe and particularly to the U.S. housing market for both new construction and repair and renovation spending. Most of our revenues are from sales of commodities for which prices are sensitive to variations in supply and demand. As many of our costs are denominated in Canadian dollars, Pounds Sterling and Euros, exchange rate fluctuations of the Canadian dollar, Pound Sterling and Euro against the United States dollar are anticipated to be a significant source of earnings volatility for us.

We believe that maintaining a strong balance sheet and liquidity profile, along with our investment-grade debt rating, enables us to execute a balanced capital allocation strategy. Our goal is to continually reinvest in our operations, across all market cycles, to maintain a leading cost position and prudently return capital to shareholders. We believe that maintaining a strong balance sheet also provides the financial flexibility to capitalize on growth opportunities and is a key tool in managing our business over the long term. Our earnings over the business cycle have enabled us to make significant and ongoing capital investments in our facilities with the goal of achieving, maintaining or improving an overall low-cost position.

Change in Functional and Reporting Currency

On February 1, 2021, West Fraser determined that as a result of the acquisition of Norbord Inc., the functional currency of our Canadian operations has changed from CAD to USD. Management considered various factors when making this decision, the most significant being an increase in the levels of sales made in U.S. dollars, a portion of operating expenses 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 the Company's 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 the International Accounting Standard ("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 CAD as described in our audited annual consolidated financial statements. The currency remeasurement of West Fraser 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 U.S. dollars at the closing exchange rate on December 31, 2020, and December 31, 2019, respectively. 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 U.S. dollars 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 U.S. dollars at the average exchange rate for each quarter, with no adjustments to the measurement of or accounting for previously reported results.

These Financial Statements should also be read in conjunction with our 2020 Annual MD&A and annual audited consolidated financial statements, which are presented in Canadian dollars. Select unaudited historical financial information in U.S. dollars is available on our website at www.westfraser.com.

Norbord Acquisition

On February 1, 2021, we acquired all of the outstanding shares of Norbord. According to the terms of the Acquisition, Norbord shareholders received 0.675 of a West Fraser share for each Norbord share held (the "Exchange Ratio"). 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 is based on the West Fraser share's closing price as listed on the TSX on January 29, 2021, and a CAD/USD exchange rate of 0.7798.

The Acquisition includes 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 Engineered Wood Products ("NA 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 EWP segments incorporate the operations and results of the Norbord operations effective from February 1, 2021.

The acquisition of Norbord by West Fraser constitutes a business combination under IFRS 3, *Business Combinations*, with West Fraser as the acquirer. We have applied purchase price accounting to the Acquisition resulting in a significant increase from the historical cost base of Norbord and $1,374 million of goodwill. The purchase price allocation is a preliminary estimate which is expected to be finalized by the end of the year. Purchase price accounting also impacted the two EWP segments' first and second-quarter results, as discussed in the relevant segments below. Factors contributing to goodwill include the Norbord workforce and 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. This was a rare opportunity to acquire an OSB producer with meaningful capacity, high-quality employees and facilities, and a complementary strategy and culture. Note 3 to our Financial Statements provides details on the purchase price allocation.

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 transaction occurred on January 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 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 unaudited 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.

Recent Developments

Markets

In North America, changes in new home construction activity levels in the U.S. are a significant driver of lumber and OSB demand, and activity remained strong through the second quarter. Canadian new home construction also improved. According to the U.S. Census Bureau, the seasonally adjusted annualized rate of U.S. housing starts averaged 1.64 million units in June, with permits issued averaging 1.60 million units. This compares to 1.38 million U.S. housing starts in 2020. We believe the increased activity is supported by low mortgage rates, low availability of homes for sale, and an extended period of a delayed building following the 2009 financial crisis as well as changes in home ownership trends stemming from the COVID-19 pandemic.

Demand for our products used in repair and remodelling applications eased towards the end of the quarter. A greater proportion of our lumber products as compared to our EWP products are used in repair and remodelling. This slowing of demand was particularly evident for lumber, which has greater exposure than our engineered wood products to repair and remodelling markets.

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.

Revolving Credit Facility

On July 28, 2021, we completed an amendment to our revolving credit facilities. Our US$686 million (CAD$850 million) and US$450 million revolving credit facilities have been combined into a single US$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.

AR2 Preliminary Duty Rate Determination

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 U.S. dollar 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%.

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 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.

Summary Information

($ millions except as otherwise indicated)

	Q2-21[1]	Q1-21[1]	YTD-21[1]	Q2-20	YTD-20
Earnings					
Sales	3,779	2,343	6,122	921	1,811
Cost of products sold	(1,235)	(1,039)[2]	(2,274)[2]	(615)	(1,245)
Freight and other distribution costs	(238)	(181)	(419)	(133)	(258)
Export duties, net	(73)	(37)	(110)	(30)	(56)
Amortization	(162)	(122)	(284)	(47)	(99)
Selling, general and administration	(73)	(78)	(151)	(39)	(80)
Equity-based compensation	(12)	(7)	(19)	4	(3)
Operating earnings	1,986	879	2,865	61	70
Finance expense	(20)	(13)	(33)	(10)	(22)
Other	-	4	4	(2)	7
Tax provision	(478)	(205)	(683)	(14)	(11)
Earnings	1,488	665	2,153	35	44
Adjusted EBITDA[3,4]	2,160	1,008[2]	3,168[2]	104	172

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 this MD&A.
4. Effective January 1, 2021, and for all comparative periods, export duties are no longer excluded from the definition of Adjusted EBITDA.

Selected Quarterly Information

($ millions except earnings per share ("EPS") amounts which are in $)

	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Sales	3,779	2,343	1,294	1,268	921	890	855	901
Earnings	1,488	665	282	262	35	9	(32)	(34)
Basic EPS	12.32	6.96	4.09	3.82	0.51	0.13	(0.46)	(0.50)
Diluted EPS	12.32	6.96	4.09	3.82	0.51	(0.09)	(0.46)	(0.55)

Discussion & Analysis of Non-Operational Items

Our equity-based compensation includes our share purchase option, phantom share unit, and deferred share unit plans (collectively, the “Plans”), all of which have been partially hedged by an equity derivative contract. The Plans include those equity-based plans assumed from Norbord as part of the Acquisition. Our Plans and our equity derivative contract are fair valued at each quarter-end, and the resulting expense or recovery is recorded over the vesting period. The assumed Norbord share purchase option plans (“Assumed Option Plans”) were fair valued at the Acquisition date. From February 1 to April 20, 2021, the Assumed Option Plans were accounted for as equity-settled plans. On April 20, 2021, our board of directors approved a change to allow the Assumed Option Plans 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 Plans. 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. Our fair valuation models consider various factors, with the most significant being the change in the market value of our shares from the beginning to the end of the relevant period. The expense or recovery does not necessarily represent the value that the holders of options and units will ultimately receive.

Finance expense was higher than the previous quarter due to the additional premium paid to redeem Norbord’s 2023 Notes and 2027 Notes (“Norbord Notes”) in May and June. Additional redemption details can be found under the title “Capital Structure and Liquidity”. Finance expense was higher than the second quarter of 2020 due to the interest on the Norbord Notes prior to redemption and the additional premium paid on redemption.

Effective February 1, 2021, our Canadian operations functional currency changed from Canadian dollars to U.S. dollars. From that date forward, any change in the value of the USD relative to the value of the CAD results in the revaluation of our CAD-denominated monetary assets and liabilities. The currency revaluations are recorded in other income.

At the same time, we retroactively changed our reporting currency from Canadian dollars to U.S. dollars. The change of reporting currency resulted in a currency remeasurement of prior period results. Fiscal 2020’s revenues and expenses were translated into U.S. dollars at the average exchange rate, with no adjustments to the measurement of or accounting for previously reported results.

Additional details on West Fraser’s conversion to U.S. dollars can be found under the title “Change in Functional and Reporting Currency.” Other income included an exchange gain of $4 million for the current quarter, compared to a loss of $6 million in the previous quarter and a loss of $5 million in the second quarter of 2020. On a year-to-date basis, we recorded an exchange loss of $2 million compared to a gain of $9 million in 2020.

As part of the Acquisition, we acquired operations in the U.K. and Belgium, so any change in the value of the Pound Sterling or Euro relative to the value of the USD results in the revaluation of our European EWP operations assets and liabilities. The revaluation of our European operations into U.S. dollars is reported in other comprehensive earnings.

The current quarter results include an income tax expense of $478 million, compared to $205 million in the previous quarter and $14 million in the second quarter of 2020. The effective tax rate was 24% in the current quarter compared to 24% in the previous quarter and 29% in the second quarter of 2020. Note 11 to the Financial Statements provides a reconciliation of income taxes calculated at the statutory rate to the income tax expense.

Discussion & Analysis by Product Segment

Lumber Segment

($ millions unless otherwise indicated)

	Q2-21	Q1-21	YTD-21	Q2-20	YTD-20
Lumber Segment Earnings					
Sales					
Lumber	1,738	1,198	2,936	618	1,165
Wood chips and other residuals	80	70	150	66	133
Logs and other	21	32	53	20	49
	1,839	1,300	3,139	704	1,347
Cost of products sold	(619)	(490)	(1,109)	(472)	(925)
Freight and other distribution costs	(118)	(91)	(209)	(93)	(175)
Export duties, net	(73)	(37)	(110)	(30)	(56)
Amortization	(39)	(39)	(78)	(35)	(74)
Selling, general and administration	(35)	(36)	(71)	(26)	(55)
Operating earnings	955	607	1,562	48	62
Finance expense	(5)	(5)	(10)	(8)	(17)
Other	(10)	7	(3)	(3)	9
Earnings before tax	940	609	1,549	37	54
Adjusted EBITDA[1,2]	994	646	1,640	83	136
SPF (MMfbm)					
Production	867	838	1,705	754	1,547
Shipments	950	748	1,698	884	1,583
SYP (MMfbm)					
Production	688	685	1,373	670	1,378
Shipments	678	641	1,319	707	1,434

1. See section "Non-IFRS Measures" in this MD&A.
2. Effective January 1, 2021, and for all comparative periods, export duties are no longer excluded from the definition of Adjusted EBITDA.

Sales and Shipments

Lumber sales increased compared to all comparative periods due to higher product pricing. Higher shipment volumes also contributed to the increase compared to the previous quarter.

Shipment volumes during the quarter recovered from the seasonal railcar shortages in Canada and a period of extreme winter conditions in the U.S. South in the previous quarter. SPF shipments in the comparative periods of 2020 were impacted by lower market demand due to COVID-19 related market conditions. SYP shipments for the first half of the year were lower than in 2020 due to a slowdown in demand late in the quarter, which resulted in a decline in shipments.

Lumber price increases resulted in a $275 million increase in Adjusted EBITDA compared to the previous quarter, $1,073 million compared to the second quarter of 2020, and $1,760 million compared to the first six months of 2020. Higher shipment volumes increased Adjusted EBITDA by $171 million compared to the previous quarter, $34 million compared to the second quarter of 2020, and $5 million compared to the first six months of 2020.

We ship SPF to several export markets, while our SYP sales are almost entirely in the U.S. Shipments of SPF to North America increased compared to 2020 due to strong demand. Demand for lumber in China fluctuated significantly throughout 2020. We remain committed to servicing our overseas customers and expect the allocation of products to stabilize over the remainder of the year.

SPF Sales by Destination
(MMfbm)

	Q2-21	Q1-21	YTD-21	Q2-20	YTD-20
U.S.	615	474	1,089	491	940
Canada	242	179	421	165	297
China	46	60	106	175	262
Other	47	35	82	53	84
	950	748	1,698	884	1,583

Costs and Production

Manufacturing costs increased compared to all comparative periods due in part to increased SPF log costs, and to a lesser degree, increased SYP log costs. The U.S. South also had higher expenditures related to increased employee costs associated with managing through COVID-19 impacts and other input cost inflation. B.C. log costs have been rising due to fibre shortages, which has increased competition for logs available through the B.C. Timber Sales log market. The portion of SPF stumpage costs tied to the price of lumber have also increased. Alberta's stumpage system for logs is correlated to published lumber prices with a short time lag. B.C.'s stumpage system is tied to publicly auctioned timber harvesting rights and published lumber prices, but with a longer time lag. Lumber results were also impacted by a stronger Canadian dollar relative to the U.S. dollar during the quarter. This increased the U.S. dollar equivalent of our SPF manufacturing and input costs, which are primarily incurred in Canadian dollars. Increased costs resulted in a decrease in Adjusted EBITDA of $58 million compared to the previous quarter, $143 million compared to the second quarter of 2020, and $195 million compared to the first six months of 2020.

Freight and other distribution costs generally trended with the changes in shipment volumes. Current quarter freight costs increased due in part to a truck shortage as markets reopen from COVID-19 restrictions and transportation issues related to the wildfires in Western Canada.

In 2020, we implemented some temporary production curtailments in response to low demand related to COVID-19. The result was a decrease of 110 MMfbm of SPF and 60 MMfbm of SYP production in the second quarter of 2020 and 140 MMfbm of SPF and 80 MMfbm of SYP in the first six months of 2020. There were no significant SPF curtailments in the current or the previous quarter. SYP production was negatively impacted by the first quarter extreme winter conditions in the U.S. South and some downtime enacted in June 2021 due to lack of orders.

Selling, general, and administration costs were higher than both comparative periods in 2020, primarily due to higher variable employee compensation. Variable employee compensation was similar to the previous quarter.

Export duties were significantly higher than the comparative periods, primarily due to increased SPF pricing and shipment volumes. Duty expense was also impacted by the changing duty rates, as described in the footnotes of the table below. The West Fraser estimated ADD rate for the current quarter is higher than the cash deposit rate primarily due to currency and product price fluctuations, and shipment timing in volatile markets, leading to unexpected variations in duties.

Duty impact on earnings
($ millions)

	Q2-21	Q1-21	YTD-21	Q2-20	YTD-20
Cash deposits[1]	(55)	(29)	(84)	(31)	(63)
Adjust to West Fraser Estimated ADD rate[2]	(18)	(8)	(26)	1	7
Duty expense[3]	(73)	(37)	(110)	(30)	(56)

1. Represents combined CVD and ADD cash deposit rate of 8.97% for Q2-21 and Q1-21, 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.

As a consequence of the items discussed above, Adjusted EBITDA increased by $348 million compared to the previous quarter, by $911 million compared to the second quarter of 2020, and by $1,504 million compared to the first six months of 2020. The following table shows the Adjusted EBITDA variance for each comparative period. Effective January 1, 2021 and for all comparative periods, duties are no longer excluded from the definition of Adjusted EBITDA.

Adjusted EBITDA
($ millions)

	Q1-21 to Q2-21	Q2-20 to Q2-21	YTD-20 to YTD-21
Adjusted EBITDA - comparative period	646	83	136
Price	275	1,073	1,760
Volume	171	34	5
Change in export duties	(36)	(43)	(54)
Changes in costs	(58)	(143)	(195)
Other	(4)	(10)	(12)
Adjusted EBITDA - current period	994	994	1,640

Discussions on finance expense are included under the section “Discussion & Analysis of Non-Operational Items” in this MD&A.

Fluctuations in other income against both comparative periods in 2020 were mostly due to foreign exchange revaluations on our Canadian operation’s Canadian dollar monetary assets and liabilities.

Softwood Lumber Dispute

On November 25, 2016, a coalition of U.S. lumber producers petitioned the USDOC and the USITC to investigate alleged subsidies to Canadian softwood lumber producers and levy CVD and ADD duties against Canadian softwood lumber imports. The USDOC chose us as a “mandatory respondent” to both the countervailing and antidumping investigations, and as a result, we have received unique company-specific rates.

<u>Developments in CVD and ADD rates</u>

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 the rates for AR1 based on its review 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 U.S. dollar 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%

8. On June 26, 2017, the USDOC issued its preliminary rate in the ADD investigation effective June 30, 2017.
9. On December 4, 2017, the USDOC revised our ADD Cash Deposit Rate effective December 4, 2017.
10. 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.
11. Effective November 30, 2020, shipments from Canada to the U.S. were subject to the new Cash Deposit Rate of 1.40% for ADD.
12. 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.
13. 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.
14. 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.

Accounting policy for duties

The CVD and ADD rates apply retroactively for each POI. We record CVD as export duty expense at the cash deposit rate until an 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 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.

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

Our 2020 annual MD&A included in our 2020 Annual Report includes details on Softwood Lumber Dispute 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.

North America Engineered Wood Products ("NA EWP") Segment
($ millions unless otherwise indicated)

	Q2-21	Q1-21	YTD-21	Q2-20	YTD-20
NA EWP Segment Earnings					
Sales					
OSB	1,301	595	1,896	-	-
Plywood, LVL and MDF	274	180	454	84	183
Wood chips, logs and other	6	6	12	3	8
	1,581	781	2,362	87	191
Cost of products sold	(384)	(364)	(748)	(58)	(140)
Freight and other distribution costs	(72)	(48)	(120)	(9)	(20)
Amortization	(89)	(54)	(143)	(3)	(6)
Selling, general and administration	(19)	(16)	(35)	(5)	(10)
Operating earnings	1,017	299	1,316	12	15
Finance expense	(1)	(1)	(2)	(1)	(2)
Other	-	-	-	5	5
Earnings before tax	1,016	298	1,314	16	18
Adjusted EBITDA[1]	1,106	353	1,459	15	21
OSB (MMsf 3/8" basis)					
Production	1,634	1,025	2,659	-	-
Shipments	1,585	1,010	2,595	-	-
Plywood (MMsf 3/8" basis)					
Production	209	202	411	158	356
Shipments	213	191	404	172	364
MDF (MMsf 3/4" basis)					
Production	59	55	114	42	97
Shipments	60	57	117	45	99
LVL (Mcf)					
Production	637	572	1,209	326	820
Shipments	636	563	1,199	375	860

1. See section "Non-IFRS Measures" in this MD&A. Q1-21 Adjusted EBITDA was decreased by a one-time charge of $86 million related to inventory purchase price accounting.

Our NA EWP segment includes our North American OSB, plywood, MDF, and LVL operations. Our operations and financial results up to February 1, 2021 only reflect activities associated with West Fraser's Panels segment without incorporating the pre-February 1, 2021 North American operations and results of Norbord. Subsequent to February 1, 2021, our operations and financial results reflect the consolidated activities and operations of West Fraser and Norbord, including incorporating the North American operations of Norbord into our NA EWP segment.

Sales and Shipments

Sales increased due to the addition of our OSB operations from the date of the Acquisition and higher prices for all our products relative to those experienced in the comparative periods. The plywood, MDF and LVL price variance increased Adjusted EBITDA by $68 million compared to the previous quarter, $130 million compared to the second quarter of 2020, and $215 million compared to the first six months of 2020.

Plywood shipment volumes recovered from the weather-related railcar shortages experienced in the previous quarter but to a lesser extent than SPF lumber. LVL shipment volumes increased in 2021 as a result of increased demand from new home construction.

Costs and Production

All of our operating expenses increased due to the addition of the OSB operations.

Purchase price accounting increased our OSB cost of products sold by $86 million, recognized in the first quarter of 2021, and amortization expense compared to pre-acquisition levels. Accounting standards require acquired inventory to be valued at fair value, which is represented by the estimated selling price, less the sum of (a) the costs of disposal, and (b) a reasonable profit allowance for the completing and selling effort, based on the profit for similar finished goods. Property, plant, and equipment assets were valued at depreciated replacement cost to represent fair value. The customer list intangible asset related to our North America operations will be amortized over 10 years and is based on an independently prepared valuation model. The purchase price allocation is a preliminary estimate which is expected to be finalized by year-end.

Increased resin costs continued to negatively impact our OSB operating results as well as higher wood costs in B.C., Alberta, and Ontario that increased our EWP cost of products sold. B.C., Ontario, and Alberta stumpage costs increased due to higher fees tied to published product prices as discussed in our Lumber segment. EWP results were also impacted by a stronger Canadian dollar relative to the U.S. dollar during the quarter. This increased the U.S. dollar equivalent of our manufacturing and input costs at our Canadian locations, which are primarily incurred in Canadian dollars. The previous quarter had higher OSB operating costs related to extreme weather in the U.S. South, which negatively impacted OSB production.

As a consequence of the items discussed above, the Adjusted EBITDA increased by $753 million compared to the previous quarter and by $1,091 million compared to the second quarter of 2020, and by $1,438 million compared to the first six months of 2020. The following table shows the Adjusted EBITDA variance for each comparative period presenting the results of the acquired NA OSB operations as a single line as the results, for the full period, are not included in the comparative periods. The other variances represent the changes for plywood, LVL, and MDF.

Adjusted EBITDA
($ millions)

	Q1-21 to Q2-21	**Q2-20 to Q2-21**	**YTD-20 to YTD-21**
Adjusted EBITDA - comparative period	353	15	21
Price	68	130	215
OSB Adjusted EBITDA since the date of Acquisition[1]	679	959	1,239
Volume	16	36	29
Changes in costs	(10)	(29)	(40)
Other	-	(5)	(5)
Adjusted EBITDA - current period	1,106	1,106	1,459

1. Includes $86 million of inventory fair value adjustments from purchase price accounting in the first quarter of 2021 (see above).

Discussions on finance expense are included under the section “Discussion & Analysis of Non-Operational Items” in this MD&A.

Pulp & Paper Segment
($ millions unless otherwise indicated)

	Q2-21	Q1-21	YTD-21	Q2-20	YTD-20
Pulp & Paper Segment Earnings					
Sales	216	177	393	158	323
Cost of products sold	(144)	(125)	(269)	(113)	(230)
Freight and other distribution costs	(37)	(33)	(70)	(31)	(63)
Amortization	(8)	(9)	(17)	(7)	(15)
Selling, general and administration	(10)	(8)	(18)	(7)	(15)
Operating earnings	17	2	19	-	-
Finance expense	(1)	(2)	(3)	(1)	(3)
Other	2	1	3	(2)	2
Earnings before tax	18	1	19	(3)	(2)
Adjusted EBITDA[1]	25	11	36	7	15
BCTMP (Mtonnes)					
Production	165	159	324	169	335
Shipments	162	156	318	165	328
NBSK (Mtonnes)					
Production	123	117	240	113	229
Shipments	117	120	237	108	225
Newsprint (Mtonnes)					
Production	27	27	55	25	49
Shipments	28	28	56	26	54

1. See section “Non-IFRS Measures” in this MD&A.

The Pulp & Paper segment includes our NBSK, BCTMP, and newsprint businesses.

Sales and Shipments

Sales increased compared to all comparative periods primarily due to higher BCTMP and NBSK prices. The price variance resulted in a $34 million increase in Adjusted EBITDA compared to the previous quarter, a $48 million increase compared to the second quarter of 2020, and a $63 million increase compared to the first half of 2020.

Production

The cost of products sold was impacted by higher fibre costs compared to all of the comparative periods, as chips used in the production of NBSK are tied to NBSK pricing, as well as higher maintenance cost spending. Our Cariboo NBSK pulp mill and our Quesnel BCTMP mill completed their planned annual maintenance shutdowns during the quarter. Our Cariboo NBSK pulp mill was temporarily shut down for four weeks during the second quarter of 2020 in response to low fibre availability, and we extended the shut by 12 days to complete the planned annual maintenance shutdown. Freight and other distribution costs generally trended with the changes in shipment volumes.

As a consequence of the items discussed above, the Adjusted EBITDA increased by $14 million compared to the previous quarter, by $18 million compared to the second quarter of 2020, and by $21 million compared to the first six months of 2020. The following table shows the Adjusted EBITDA variance for each comparative period.

Adjusted EBITDA
($ millions)

	Q1-21 to Q2-21	Q2-20 to Q2-21	YTD-20 to YTD-21
Adjusted EBITDA - comparative period	11	7	15
Price	34	48	63
Volume	-	2	1
Changes in costs	(12)	(26)	(39)
Other	(8)	(6)	(4)
Adjusted EBITDA - current period	25	25	36

Fluctuations in other were mostly due to foreign exchange revaluations on our Canadian operations' Canadian dollar monetary assets and liabilities.

Europe Engineered Wood Products Segment
($ millions unless otherwise indicated)

	Q2-21	Q1-21	YTD-21	Q2-20	YTD-20
Europe EWP Segment Earnings					
Sales	178	112	290	-	-
Cost of products sold	(123)	(87)	(210)	-	-
Freight and other distribution costs	(11)	(9)	(20)	-	-
Amortization	(24)	(17)	(41)	-	-
Selling, general and administration	(5)	(5)	(10)	-	-
Operating earnings	15	(6)	9	-	-
Finance expense	(1)	-	(1)	-	-
Other	-	-	-	-	-
Earnings before tax	14	(6)	8	-	-
Adjusted EBITDA[1]	39	11	50	-	-
OSB (MMsf 3/8" basis)					
Production	318	204	522	-	-
Shipments	307	226	533	-	-
MDF (MMsf 3/8" basis)					
Production	94	60	154	-	-
Shipments	84	60	144	-	-
Particleboard (MMsf 3/8" basis)					
Production	132	94	226	-	-
Shipments	104	74	178	-	-

1. See section "Non-IFRS Measures" in this MD&A. Q1-21 and YTD-21 Adjusted EBITDA was decreased by a one-time charge of $7 million related to inventory purchase price accounting.

Our Europe EWP segment includes our U.K. and Belgium OSB, MDF, and particleboard operations effective from the February 1, 2021, acquisition date.

Sales prices for the OSB, MDF and particleboard in the European operations are not as volatile as those in the North American market due to longer-term customer contract pricing, however pricing has increased quarter-over-quarter.

Purchase price accounting increased our Europe EWP cost of products sold by $7 million, recognized in the first quarter of 2021, and amortization expense compared to pre-acquisition levels. Accounting standards require acquired inventory to be valued at fair value, which is represented by the estimated selling price, less the sum of (a) the costs of disposal, and (b) a reasonable profit allowance for the completing and selling effort, based on the profit for similar finished goods. Property, plant, and equipment assets were valued at depreciated replacement cost to represent fair value. The customer list intangible asset related to our European operations will be amortized over 10 years and is based on a valuation model prepared by an independent valuation firm. The purchase price allocation is a preliminary estimate which is expected to be finalized by year-end.

Costs increased compared to Norbord's pre-acquisition levels due to increased raw material costs. Resin costs were negatively impacted in a similar manner as in North America.

Business Outlook

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.

The demand for our European products is expected to continue to be robust as demand for OSB as an alternative to plywood in Europe continues to grow.

Our BCTMP and NBSK pulp is primarily used in printing and writing paper, boxboard and tissue applications. Pulp demand is anticipated to continue to grow over the long-term due to increasing boxboard and tissue production in North America and Europe. Pulp exports are also expected to be negatively impacted in the near-term by wildfires that are impeding rail access to shipping ports.

Softwood lumber dispute

Canadian softwood lumber exports to the U.S. have been the subject of trade disputes and managed trade arrangements for several decades. Countervailing and antidumping duties have been in place since April of 2017, and we are required to make deposits in respect of these duties. Whether and to what extent we can realize a selling price to recover the impact of duties payable will largely depend on the strength of demand for softwood lumber. The USDOC published the preliminary rates for AR2 in the second quarter of 2021, and these rates are expected to be finalized sometime in the fourth quarter of 2021. They also began AR3 in April of 2021. Additional details can be found under the section "Discussion & Analysis by Product Segment Lumber Segment - Softwood Lumber Dispute".

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. As a result, our production and shipments in the second half of 2021 may 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 investments

Progress on our new lumber manufacturing complex in Dudley, Georgia, remains on track with management's expectations. The new mill became fully operational in the second quarter of 2021 and continues to make progress ramping up. Our employees at the legacy site have fully transitioned to the new mill and operations at the legacy site have now been wound down. When completed and fully ramped up, annual production capacity at the Dudley site will increase by 170 million board feet to 270 million board feet, which is expected to be achieved over the next several years.

Our OSB mill in Chambord, Quebec, which restarted in the first quarter of 2021, continues to ramp up towards its stated annual production capacity of 550 million square feet (3/8-inch basis), which typically takes 18-24 months.

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. However, the addition of these capital projects will not offset lengthening lead times on projects currently underway, and as such 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

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.

Cash Flows

We are anticipating levels of operating cash flows and available liquidity to support our capital spending estimate.

We expect to maintain our investment-grade credit rating and intend to preserve sufficient liquidity to be able to take advantage of strategic growth opportunities that may arise. On April 6, 2021, we announced the redemption of the 2027 Notes. On May 6, 2021, we funded the redemption using cash on hand. On the same date, we elected to redeem all of Norbord's outstanding 2023 Notes on June 7, 2021, which was funded using cash on hand. The section below titled "Capital Structure and Liquidity" includes details on the Norbord senior notes.

We are authorized under our NCIB, which expires in February of 2022, to purchase up to 9,582,470 Common shares of the Company, representing 10% of the Company's issued and outstanding Common shares as at February 8, 2021. As of July 28, 2021, 4,568,531 have been repurchased, leaving 5,013,939 available to purchase at our discretion until the expiry of the NCIB. On July 12, 2021, we commenced a substantial issuer bid under which the Company has offered to purchase from shareholders for cancellation up to CAD$1.0 billion of Common shares, subject to the satisfaction of the closing conditions. Share repurchases will be funded using cash on hand and drawings on our revolving credit facility, if necessary. We will evaluate recommencing purchases under the NCIB after the completion or expiry of the SIB.

We have paid a fixed dividend every quarter since we became a public company in 1986 and expect to continue this practice.

Income tax regulations in Canada establish the payment schedule for income taxes on account of the current fiscal year based on the prior year's results, with the residual tax liability owed due by February of the following year. Accordingly, given the significant change in profitability and estimated taxable income for 2021 tax periods as compared to 2020, we have a significant outstanding income tax payable on account of 2021 that will be due no later than February 2022.

Capital Structure and Liquidity

Our capital structure consists of Common share equity and long-term debt, and our liquidity includes our operating facilities.

Changes to Long-term Debt and Operating Facilities

On February 1, 2021, concurrent with the closing of the Acquisition, we completed various administrative amendments to our $686 million (CAD$850 million) committed revolving credit facility and our $200 million term loan to facilitate the Acquisition. We replaced our CAD$150 million committed revolving credit facility with a $450 million committed revolving credit facility due 2024 on substantially the same terms.

Norbord's accounts receivable securitization facility and secured revolving credit facilities were terminated at closing and the security related to all of Norbord's debt was discharged as of February 1, 2021. Norbord's $315 million 2023 Notes and $350 million 2027 Notes were consolidated on our balance sheet at fair value as of the date of the Acquisition. On March 2, 2021, we made a mandatory change of control offer for the 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.

Operating Facilities

On June 30, 2021, our operating facilities consisted of a $686 million (CAD$850 million) committed revolving credit facility, a $450 million committed revolving facility, 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. On June 30, 2021, the revolving facilities were undrawn. See the title "Recent Developments - Revolving Credit Facility" for details on the July 2021 amendment to our credit facilities.

We also have credit facilities totalling $121 million dedicated to the issuance of 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.

Available liquidity on June 30, 2021, was $3,392 million. Available liquidity includes cash and short-term investments, cheques issued in excess of funds on deposit, and amounts available on our operating loans, excluding the $6 million (CAD$8 million) demand line of credit dedicated to our 50% jointly-owned newsprint operation.

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.

Material Long-term Debt

In October 2014, we issued $300 million of fixed-rate senior unsecured notes, bearing interest at 4.35% and due October 2024, pursuant to a private placement in the U.S. The notes are redeemable, in whole or in part, at our option at any time as provided in the indenture governing the notes.

In August 2017, we were advanced a $200 million 5-year term loan that, with the July 2019 extension, matures on August 25, 2024. Interest is payable at floating rates based on Base Rate Advances or LIBOR Advances at our option. This loan is repayable at any time, in whole or in part, at our option and without penalty but cannot be redrawn after payment.

On March 9, 2020, we extended the duration of our interest rate swap from August 2022 to August 2024, resulting in a change to the fixed interest rate on the swap from 2.47% to 1.78% through August of 2024.

On April 15, 2020, we entered into additional interest rate swaps for a total notional amount of $100 million, which has the effect of converting our floating rate debt into a fixed rate debt at 0.51%.

On February 1, 2021, we assumed Norbord's 2023 Notes and 2027 Notes as part of the Acquisition. These notes were redeemed in the second quarter of 2021. The details are described above under the title "Changes to Long-term Debt and Operating Facilities".

Equity

Our outstanding Common share equity consists of 116,444,176 Common shares and 2,281,478 Class B Common shares for a total of 118,725,654 shares issued and outstanding as of July 28, 2021.

Our Class B Common shares are equal in all respects to our Common shares, including the right to dividends and the right to vote, and are exchangeable on a one-for-one basis for Common shares. Our Common shares are listed for trading on the TSX and NYSE, while our Class B Common shares are not. Certain circumstances or corporate transactions may require the approval of the holders of our Common shares and Class B Common shares on a separate class by class basis.

Concurrent with the Acquisition, the Common shares of West Fraser commenced trading on the NYSE on February 1, 2021, under the symbol WFG. The trading symbol for the Common shares on the TSX was also changed to WFG on February 1, 2021.

Share Repurchase Program

On February 17, 2021, we renewed our NCIB allowing us to acquire an additional 6,044,000 Common shares for cancellation 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 9,582,470 Common shares. The following table shows our purchases under our two NCIB programs.

Share Repurchases
(number of common shares and price per share)

NCIB period	**Common Shares**	**Average Price in CAD**	**Average Price in USD**
September 19, 2019 to September 18, 2020	-	-	-
February 17, 2021 to June 30, 2021	4,568,531	$88.12	$71.37

See discussion of our substantial issuer bid under the title "Recent Developments - Substantial Issuer Bid" above.

Share Options

As of July 28, 2021, there were 1,759,909 share purchase options outstanding with exercise prices ranging from CAD$92.79 to CAD$23.68 per Common share. This includes the assumption of Norbord's outstanding share purchase options, after applying the Exchange Ratio.

Defined Benefit Pension Plans

The funded position of our defined benefit pension plans and other retirement benefit plans is estimated at the end of each period. As shown in Note 8 to our Financial Statements, the funded position is determined by subtracting the value of the plan assets from the plan obligations. We recorded in other comprehensive earnings an after-tax actuarial loss of $4 million during the quarter compared to an after-tax actuarial gain of $89 million in the previous quarter and an after-tax actuarial loss of $117 million in the second quarter of 2020. The current quarter loss reflects the decrease in the discount rate compared to the previous quarter, partly offset by the return on plan assets.

Summary of Financial Position
($ millions, except as otherwise indicated)

	Q2-21	Q4-20	Q2-20
Cash and short-term investments	2,231	461	93
Current assets	4,058	1,336	879
Current liabilities	1,275	528	587
Ratio of current assets to current liabilities	3.2	2.5	1.5
Available liquidity[1]	3,392	1,272	587
Total debt to total capital[1]	7%	19%	31%
Net debt to total capital[1]	(28)%	2%	28%

1. Non-IFRS measure. See "Non-IFRS Measures".

Debt Ratings

West Fraser is considered investment grade by three leading rating agencies. The ratings in the table below are as of July 28, 2021.

Agency	Rating	Outlook
DBRS Morningstar	BBB(low)	Stable
Moody's	Baa3	Stable
Standard & Poor's	BBB-	Stable

These ratings are not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the rating agencies.

Cash Flow

Our cash requirements are primarily for operating purposes, interest payments, repayment of debt, additions to property, plant, equipment and timber, acquisitions, and dividends. In normal business cycles and in years without a major acquisition or debt repayment, cash on hand and cash provided by operations have typically been sufficient to meet these requirements.

Cash Flow Statement
($ millions - cash provided by (used in))

	Q2-21	Q1-21	YTD-21	Q2-20	YTD-20
Operating Activities					
Earnings	1,488	665	2,153	35	44
Amortization	162	122	284	47	99
Finance expense	20	13	33	10	22
Foreign exchange (gain) loss	(4)	6	2	4	(6)
Export duty deposits	(8)	8	-	(1)	(7)
Export duties payable	25	-	25	-	-
Post-retirement expense	17	25	42	18	37
Contributions to post-retirement plans	(13)	(13)	(26)	(11)	(21)
Income tax provision (recovery)	478	205	683	14	11
Income taxes received (paid)	(252)	(246)	(498)	65	64
Reforestation and decommissioning obligations	(9)	13	4	(9)	9
Other	13	(13)	-	(10)	(6)
Changes in accounts receivable	(95)	(172)	(267)	(19)	(68)
Changes in inventories	172	(221)	(49)	202	57
Changes in prepaid expenses	(34)	(4)	(38)	(6)	(9)
Changes in payables and accrued liabilities	(74)	74	-	(21)	1
	1,886	462	2,348	318	227
Financing Activities					
Debt and operating loans	(665)	(2)	(667)	(230)	(11)
Financing fees paid	-	(3)	(3)	-	-
Financing expense paid	(82)	(3)	(85)	(11)	(18)
Repurchases of Common shares	(233)	(93)	(326)	-	-
Dividends paid	(19)	(11)	(30)	(10)	(20)
Other	(1)	3	2	(1)	(1)
	(1,000)	(109)	(1,109)	(252)	(50)
Investing Activities					
Acquired cash and short-term investments	-	642	642	-	-
Additions to capital assets	(66)	(62)	(128)	(43)	(88)
Government assistance	-	3	3	1	1
Other	2	(1)	1	1	1
	(64)	582	518	(41)	(82)
Change in cash	822	935	1,757	25	95

The Acquisition was a non-cash share consideration transaction and therefore only the acquired cash is included in the above cash flow. Changes in Norbord's cash position incurred subsequent to February 1, 2021 are incorporated into our cash flow results and are contributing to some of the swings.

Operating Activities

The table above shows the main components of cash flows used for or provided by operating activities for each comparative period. The significant factors affecting the comparison were improved earnings and changes in income tax payments, accounts receivable, log inventory, and accounts payable.

Accounts receivable increased primarily due to increased pricing for most of our products.

The current quarter inventory change is driven primarily by the reduced logging activities in the second quarter as log inventory in the northern regions of North America is built up in the first quarter to sustain SPF lumber and

EWP operations and is typically consumed in the spring and summer months when logging is curtailed due to wet and inaccessible land conditions.

Accounts payable increased due in part to higher accruals for incentive and equity-based compensation. It was also impacted by the increase in dividend payable at the end of the quarter and export duties payable.

Income tax payments were $252 million in the quarter, reflecting high taxable earnings estimates for both Canada and the U.S. As minimum income tax instalments for Canada are based on prior year's earnings, a significant income tax payable has accumulated in respect of 2021 results. We made income tax payments of $498 million in the first six months of 2021, of which $216 million was the final Canadian income tax payment for 2020.

Financing Activities

We returned $252 million to our shareholders through Common shares repurchased under our NCIB program and dividend payments during the quarter. As discussed above, we completed the early redemption of Norbord's 2023 and 2027 Notes.

Investing Activities

Cash flows used for investing activities in the quarter are related primarily to capital asset additions. Capital additions for the first six months of the year were $60 million for our Lumber segment, $49 million for our NA EWP segment, $10 million for our Pulp & Paper segment, $8 million for our Europe EWP segment, and $1 million for our corporate and other segment.

Contractual Obligations

Changes in Debt Obligations

On February 1, 2021, we assumed Norbord's 2023 Notes and 2027 Notes as part of the Acquisition. Both notes were redeemed during the quarter. The details are described above under the title "Changes to Long-term Debt and Operating Facilities".

Significant Management Judgments Affecting Financial Results

For a review of significant management judgments affecting financial results and critical accounting estimates, see the 2020 annual MD&A, which is included in our 2020 Annual Report and Note 2 and 3 of our Financial Statements.

Controls and Procedures

Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to our Company is gathered and reported to senior management, including the President and Chief Executive Officer ("CEO") and the Vice-President, Finance and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal Control over Financial Reporting

Our management is also responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with IFRS.

Limitations on Scope of Design

In accordance with the provisions of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, management, including the CEO and CFO, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Norbord which was acquired on February 1, 2021.

Norbord's contribution to our consolidated financial statements for the quarter ended June 30, 2021 was approximately 39% of consolidated sales and approximately 44% of consolidated earnings. Additionally, Norbord's current assets and current liabilities were approximately 38% and 46% of consolidated current assets and current liabilities, respectively, and its long-term assets and long-term liabilities were approximately 58% and 30% of consolidated non-current assets and non-current liabilities, respectively.

Change in Internal Control over Financial Reporting

There has been no change in the design of our internal control over financial reporting during the three months ended June 30, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Risks and Uncertainties

Our Company is subject to a number of risks and uncertainties. Risks and uncertainties 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".

Forward-Looking Statements

This MD&A contains historical information, descriptions of current circumstances, and statements about potential future developments and anticipated financial results. The latter, which are forward-looking statements, are presented to provide reasonable guidance to the reader, but their accuracy depends on a number of assumptions and are subject to various risks and uncertainties. These forward-looking statements constitute "forward-looking information" 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 "safe harbor" provisions of the *United States Private Securities Litigation Reform Act of 1995*.

Forward-looking statements are included under the headings:

- "Our Business and Strategy" (exchange rate fluctuations as a source of earnings volatility, our goals to reinvest, return to shareholders, achieve, maintain or improve our low-cost position);
- "Norbord Acquisition" (finalization of the purchase price allocation);
- "Recent Developments" (impact of wildfire on production and shipments, finalization of AR2 rates, estimate of recovery and revised rate, Substantial Issuer Bid regarding the ultimate purchase price and number of Common shares purchased and conditions to complete);
- "Discussion & Analysis of Annual Results by Product Segment - Lumber Segment - Softwood Lumber Dispute" (preliminary and revised duty and deposit rates as USDOC finalizes AR POI, administrative review commencement, estimated duty rates and proceedings related to final duty rates for AR2, AR3 and AR4);
- "NA EWG Segment" (finalization of the purchase price allocation);
- "Europe EWG Segment" (finalization of the purchase price allocation); and
- "Business Outlook" (forecasted U.S. housing starts, market conditions and product demand, softwood lumber dispute proceedings, wildfire, COVID-19 and other impacts on operations and other activities, fibre costs, final duty rates for AR2, inflationary pressures and stumpage rate increases, progress at Dudley and Chambord projects, expected synergies from the Acquisition and estimated completion, liquidity, cash flows, capital spending in 2021 and the related payback, expected dividend, SIB and NCIB programs, income tax payments and expected completion, maintenance of debt ratings).

By their nature, these 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:

- assumptions in connection with the economic and financial conditions in the U.S., Canada, Europe and globally and consequential demand for our products;
- risks inherent to product concentration and cyclicality;
- effects of competition and product pricing pressures, including reductions or deferral of demand in response to lumber and/or OSB price increases;
- 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;
- availability of transportation services, including truck and rail services, and port facilities, and impacts on transportation services from wildfires;
- 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 in response, and ongoing relations with employees;
- risks inherent to customer dependence;
- impact of future cross border trade rulings or agreements;
- implementation of important strategic initiatives and identification, completion and integration of acquisitions;
- impact of changes to, or non-compliance with, environmental or other regulations;
- the impact of the COVID-19 pandemic on our operations and on customer demand, supply and distribution and other factors;
- government restrictions, standards or regulations intended to reduce greenhouse gas emissions;
- changes in government policy and regulation;
- impact of weather and climate change on our operations or the operations or demand of its suppliers and customers;
- ability to implement new or upgraded information technology infrastructure;
- impact of information technology service disruptions or failures;
- impact of any product liability claims in excess of insurance coverage;
- risks inherent to a capital intensive industry;
- impact of future outcomes of tax exposures;
- potential future changes in tax laws, including tax rates;
- effects of currency exposures and exchange rate fluctuations;
- future operating costs;
- availability of financing, bank lines, securitization programs and/or other means of liquidity;
- integration of the Norbord business;
- the extent to which shareholders tender under our substantial issuer bid, and the prices at which shares are tendered;
- a determination by us that the conditions for completion of the substantial issuer bid have not been satisfied; and
- 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 the title “Risks and Uncertainties” in our 2020 Annual MD&A and the “Risk Factors” of our Base Shelf Prospectus, 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, including those set out in the Company’s final Short Form Base Shelf Prospectus dated April 12, 2021. Accordingly, readers should exercise caution in relying upon forward-looking statements, and we undertake no obligation to publicly update or revise any forward-looking statements, whether written or oral, to reflect subsequent events or circumstances except as required by applicable securities laws.

Additional Information

Additional information on West Fraser, including our Annual Information Form and other documents, publicly filed, is available on the Company's website at www.westfraser.com, on SEDAR at www.sedar.com and on the EDGAR section of the SEC website at www.sec.gov/edgar.shtml.

Non-IFRS Measures

Throughout this MD&A, 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. 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, 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 provided in the tables set forth below.

Adjusted EBITDA

Adjusted EBITDA is used to evaluate the operating and financial performance of our operating segments, generate future operating plans, and make strategic decisions. Adjusted EBITDA is defined as earnings determined in accordance with IFRS adding back the following line items from the consolidated statements of earnings and comprehensive earnings: tax provision or recovery, other, finance expense, equity-based compensation, restructuring and impairment charges, and amortization.

The following tables reconcile Adjusted EBITDA to the most directly comparable IFRS measures. Effective January 1, 2021, and for all comparative periods, export duties are no longer excluded from the definition of Adjusted EBITDA.

Quarterly Adjusted EBITDA
($ millions)

	Q2-21	Q1-21	YTD-21	Q2-20	YTD-20
Earnings	1,488	665	2,153	35	44
Tax provision	478	205	683	14	11
Other	-	(4)	(4)	2	(7)
Finance expense, net	20	13	33	10	22
Equity-based compensation	12	7	19	(4)	3
Amortization	162	122	284	47	99
Adjusted EBITDA	2,160	1,008	3,168	104	172

Quarterly Adjusted EBITDA by segment
($ millions)

Q2-21	Lumber	NA EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
Earnings before tax	940	1,016	18	14	(22)	1,966
Other	10	-	(2)	-	(8)	-
Finance expense, net	5	1	1	1	12	20
Equity-based compensation	-	-	-	-	12	12
Amortization	39	89	8	24	2	162
Adjusted EBITDA by segment	994	1,106	25	39	(4)	2,160

Q1-21	Lumber	NA EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
Earnings before tax	609	298	1	(6)	(32)	870
Other	(7)	-	(1)	-	4	(4)
Finance expense, net	5	1	2	-	5	13
Equity-based compensation	-	-	-	-	7	7
Amortization	39	54	9	17	3	122
Adjusted EBITDA by segment	646	353	11	11	(13)	1,008

YTD-21	Lumber	NA EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
Earnings before tax	1,549	1,314	19	8	(54)	2,836
Other	3	-	(3)	-	(4)	(4)
Finance expense, net	10	2	3	1	17	33
Equity-based compensation	-	-	-	-	19	19
Amortization	78	143	17	41	5	284
Adjusted EBITDA by segment	1,640	1,459	36	50	(17)	3,168

Q2-20	Lumber	Panels	Pulp & Paper	Corporate & Other	Total
Earnings before tax	37	16	(3)	(1)	49
Other	3	(5)	2	2	2
Finance expense, net	8	1	1	-	10
Equity-based compensation	-	-	-	(4)	(4)
Amortization	35	3	7	2	47
Adjusted EBITDA by segment	83	15	7	(1)	104

YTD-20	Lumber	Panels	Pulp & Paper	Corporate & Other	Total
Earnings before tax	54	18	(2)	(15)	55
Other	(9)	(5)	(1)	8	(7)
Finance expense, net	17	2	3	-	22
Equity-based compensation	-	-	-	3	3
Amortization	74	6	15	4	99
Adjusted EBITDA by segment	136	21	15	-	172

Available Liquidity

The following table reconciles Available liquidity to the most directly comparable IFRS measures.

Available Liquidity
($ millions)

	Q2-21	Q4-20	Q2-20
Available liquidity			
Cash and short-term investments	2,231	461	93
Operating lines available (excluding newsprint operation)[1]	1,161	811	759
	3,392	1,272	852
Borrowings on operating lines	-	-	(265)
Available liquidity	3,392	1,272	587

1. Excludes $6 million (CAD$8 million) demand line of credit dedicated to our jointly-owned newsprint operation as West Fraser cannot draw on it. Operating lines available include a CAD$850 million demand line of credit (Q2-20 and Q4-20 included an additional CAD$150 million) translated at the balance sheet date foreign exchange rate.

Total and net debt to total capital ratio

The following table reconciles total and net debt to total capital ratio to the most directly comparable IFRS measures.

Total and net debt to total capital ratio

($ millions)

	Q2-21	Q4-20	Q2-20
Debt			
Operating loans	-	-	265
Current and long-term lease obligation	19	6	7
Current and long-term debt	501	509	510
Interest rate swaps[1]	4	6	7
Open letters of credit[1]	59	50	43
Total debt	583	571	832
Cash and short-term investments	(2,231)	(461)	(93)
Open letters of credit[1]	(59)	(50)	(43)
Interest rate swaps[1]	(4)	(6)	(7)
Net debt	(1,711)	54	689
Shareholders' equity	7,839	2,478	1,813
Total debt to capital[2]	7%	19%	31%
Net debt to total capital[2]	(28)%	2%	28%

1. Letters of credit facilities and the fair value of interest rate swaps are part of our bank covenants' total debt calculation.
2. Total capital is total debt or net debt plus shareholders' equity.

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)

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

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

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 on January 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 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	
		Currency remeasurement		***Currency remeasurement***
	2021	**2020**	**2021**	**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	
		Currency remeasurement		***Currency remeasurement***
	2021	**2020**	**2021**	**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

	Lumber	NA EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
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.

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